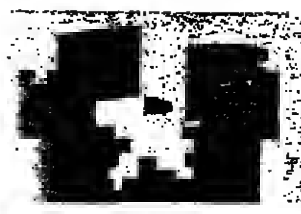
FINANCIAL TIMES



French property
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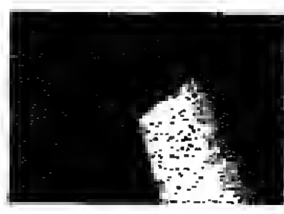

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The surgeon's dilemma

World Business Newspaper FRIDAY JANUARY 27 1995 D8523A

Germany unveils $1.9bn programme to create jobs

The German government yesterday unveiled a four-year DM3bn ($1.9bn) wage subsidies programme aimed at creating jobs for the long-term unemployed. Bonn said it expects about 180,000 jobs to be created during the program, unveiled after talks with employers and trade union. Page 14; German TV race, Page 2

Andreotti faces preliminary hearing: Giulio Andreotti, seven times prime minister of Italy, faces a preliminary hearing in Palermo over whether there is sufficient evidence to send him to trial for his alleged links with the Mafia. Page 3

Cadbury in $2.5bn Dr Pepper bid: Cadbury Schweppes took a multi-billion dollar gamble on the world's soft drinks market, pitting itself against Coca-Cola and PepsiCo as it launched a $2.5bn bid for the Dr Pepper/Seven Up companies. Page 15 and Lex; Cadbury defends bid, Page 19; Coca-Cola results, Page 17

Football star faces FA charges:

French soccer star Eric Cantona (left), was charged by the English Football Association with bringing the game into disrepute for leaping into the stands to attack a spectator during a game against Crystal Palace in London. The Manchester United striker could also face criminal charges over the incident. Manchester United saw £3m ($4.7m) wiped off its value as shares were marked down.

EU ministers discuss Europol role: EU ambitions to establish a cross-border European police intelligence agency took a step forward after ministers agreed to include terrorism within the scope of the force two years after it is set up. Page 3

Kobe quake hits P&G profits: Procter & Gamble yesterday issues a profits warning because its Japanese headquarters and one manufacturing plants had been put out of action by the Kobe earthquake. Page 15; Results, Pages 17, 18

Failure hits China satellite plans: The explosion yesterday of a Chinese rocket carrying a telecommunications satellite has dealt a serious blow to China's satellite programme. Page 14; Pledge to settle claim, Page 8

Akai takeover to cost $314m: Semi-Tech Global, the Hong Kong company controlled by Mr James Ting, will take control of Akai Electric in a deal which values Akai at Y31.4bn ($314m). Page 15

Veba announces C&W alliance: Veba, one of Germany's biggest private telecoms operators, yesterday announced a strategic alliance with Cable and Wireless of the UK. Page 15; Background, Page 19; Lex, Page 14

Alcatel wins satellite deal: Alcatel Espace, the French space telecommunications group, has won a $500m contract to supply WorldSpace of the US with three broadcasting satellites for millions of listeners in Asia, Africa and the Caribbean. Page 8

Jordan and PLO sign accord: Jordan and the Palestine Liberation Organisation signed a wide-ranging co-operation accord yesterday designed to settle a dispute over the future of occupied Arab East Jerusalem and economic relations. Page 8

Delta Air Lines results improve: Delta Air Lines, the third-biggest US carrier, followed United Airlines and American Airlines, the biggest and second biggest, in reporting a sharp improvement in results for the quarter to December. Page 17

US figures highlight economic growth: New orders for US durable goods rose by 1.4 per cent last month and by 13.9 per cent in the year to December, underlining the economic expansion. Page 6

Spain seeks $970m aid: Spain yesterday submitted a request for Pta130bn ($970m) in state aid for the lossmaking Iberia airline, citing the sharp fall in the peseta as one of the main reasons for its application to the European Commission. Page 2

IMF aid for Russia stalled: The IMF is unlikely to reach an agreement with Russia during the current round of negotiations over a $6.25bn standby loan to help finance the government's economic stabilisation programme. Page 2

Australian opposition leader quits: Australian federal opposition leader, Alexander Downer quit after weeks of rumours and following his party's poor opinion poll showings. Page 7

■ STOCK MARKET INDICES

New York lunchtime:		
Dow Jones Ind Av	3,857.65	(-13.80)
NASDAQ Composite	758.21	(-2.77)
Europe and Far East:		
CAC40	1,826.28	(+23.82)
DAX	2,030.69	(+3.85)
FT-SE 100	3,007.3	(+25.1)
Nikkei	18,070.8	(-88.64)

■ US LUNCHTIME RATES

Federal Funds	5 7/16%
3-mth Treas Bills: Yld	5.895%
Long Bond	95 13/32
Yield	7.859%

■ OTHER RATES

UK: 3-mo Interbank	6 23/32%	(6 3/4%)
UK: 10 yr Gilt	87 1/2	(87 1/4)
France: 10 yr OAT	95.89	(95.45)
Germany: 10 yr Bund	99.45	(98.84)
Japan: 10 yr JGB	96.33	(96.178)

■ NORTH SEA OIL (Argus)

Brent 15-day (Mar)	$16.66	(16.71)

■ GOLD

New York:		
Comex (Feb)	$381.7	(380.9)
London:		
close	$381.0	(381.35)

■ DOLLAR

New York lunchtime:		
£	1.58215	
DM	1.51465	
FFr	5.244	
SFr	1.2735	
Y	99.275	
London:		
£	1.5918	(1.5904)
DM	1.5147	(1.5183)
FFr	5.2397	(5.254)
SFr	1.2749	(1.2772)
Y	99.375	(98.69)

■ STERLING

DM	2.4111	(2.4146)
Tokyo close:	Y 99.54	

Austria	Sch35	Greece	Dr400	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Dn1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr70	Hungary	Ft185	Neth	Fl 4.25	Singapore	S$4.30		
Bulgaria	Lv100.00	Iceland	IKr220	Nigeria	Naira90	Slovak Rp	KSL60		
Cyprus	C£1.10	India	Rs75	Norway	NKr18.00	S. Africa	R12.00		
Czech Rp	CZK55	Israel	Shk7.90	Oman	OR1.50	Spain	Pta225		
Denmark	DKr17	Italy	L3000	Pakistan	Rs40	Sweden	SKr17		
Egypt	E£5.00	Japan	Y500	Philippines	Peso50	Switz	SFr3.60		
Estonia	EKr 30	Jordan	JD1.50	Poland	Zl 42,000	Syria	S£50.00		
Finland	FM15	Kuwait	Fils.625	Portugal (m'land)	Es230	Tunisia	Din1.500		
France	FFr10.50	Lebanon	US$1.50			Turkey	L40,000		
Germany	DM3.80	Lux	LFr70			UAE	Dh12.00		

IMF to give Mexico standby loan of $7.76bn

By Ted Bardacke and Leslie Crawford in Mexico City and George Graham in Washington

The Mexican government and the International Monetary Fund signed a letter of intent yesterday for the biggest IMF standby loan ever – an 18-month $7.76bn credit to help the country through its financial crisis.

In the agreement, the subject of two weeks of intense negotiations between IMF executives and Mexican finance officials, Mexico pledged to implement an economic adjustment programme involving a tight monetary policy, cuts in government spending and other measures designed to keep inflation and public finances under cootrol.

Mr Guillermo Ortiz, finance secretary, said the adjustment programme would allow Mexico to meet IMF macroeconomic targets, including 1.5 per cent economic growth this year and more than 4 per cent growth in 1996.

Mr Miguel Mancera, bead of the central bank, said the government would run a fiscal surplus this year and would implement an overhaul of the tax code to raise additional revenue. The IMF board of directors will consider the loan on February 1 but passage is virtually guaranteed.

Mr Michel Camdessus, the IMF managing director, said tbe urgency of the Mexican crisis was reflected "in the unprecedeoted access to the IMF's resources and the accelerated consideration of Mexico's request".

The previous largest IMF facility was a credit over three years for India in the early 1980s, amounting to just over $5bn.

News of tbe announcement helped strengthen the Mexican peso, which at midday was trading at 5.685 pesos to the US dollar, up from Wednesday's close of 5.705. The stock market also rose – the main IPC index moved upwards immediately after the announcement after falling 0.94 per cent in light morning trading.

Brokers said that the package was likely to push the market higher throughout the day, but that a strong and sustained recovery was unlikely until the proposed US $40bn loan guarantee deal is approved by the US Congress. However, Senator Trent Lott, the majority whip in the US Senate, said it would be "a week or two before we get to legislation". He warned it would probably oot come up for debate in the Senate until after consideration of a constitutional amendment requiring a balanced budget. That measure faces a substantial list of amendments and the likelihood of delaying tactics from opponents.

Mr José Angel Gurria, Mexican foreign minister, yesterday signalled Mexican frustration at the slow progress of the package through the US Congress. US Administration officials yesterday kept up tbeir campaign for the loan guarantees.

President Bill Clintoo warned in a satellite address to the Davos economic forum that failure to pass the legislation would have "grave consequences" aod ran tbe risk of spreading Mexico's problems throughout tbe region.

In Washington, Mr Warren Christopher, the US secretary of state, urged members of Congress not to "load up this package with conditions unrelated to the economic thrust of our effort".

"By encumbering a package vital to tbe the bealth of tbe Mexican economy, sucb conditions threaten to undermine their own intended goal of encouraging reform in Mexico," Mr Christopher told the House of Representatives international relations committee yesterday.

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Board says it will look for better offer

Wellcome rejects Glaxo's $14.7bn bid as 'inadequate'

By Daniel Green and David Wighton in London

Wellcome rejected the £9.2bn ($14.7bn) bid by drugs industry rival Glaxo yesterday as "inadequate" and took the unusual step of putting itself up for sale.

Mr John Robb, Wellcome's chairman and chief executive, said the bid undervalued the company. Tbe substantial savings that could be made within a combined company was one reason why the offer was regarded as too low.

"The board bas concluded that its only responsible course of action is to seek a better offer for the company than the present Glaxo offer," Mr Robb said.

Glaxo has declared its offer final unless another bidder intervenes.

Sir Richard Sykes, chief executive of Glaxo, said: "I am disappointed by Wellcome's reaction. Glaxo remains convinced that the proposed merger is not only in the best interests of both Wellcome and Glaxo shareholders, but that it will also secure Britain's leading position in the pharmaceutical industry."

Mr Robb admitted, bowever, that the Wellcome Trust's decision to sell its 39.5 per cent stake in Wellcome to Glaxo meant that the company's 115 years of independence would end.

He urged the Trust not to sign an irrevocable undertaking to accept Glaxo's offer today. This would reduce the chances that Wellcome's advisers, Baring Brothers and Morgan Stanley, would find a higher bidder.

"The Trust has nothing to lose [by not signing] as Glaxo must proceed with its offer in any event. The Trust should belp us achieve tbe best offer for the company and not limit its own and other shareholders' options."

Nevertheless, tbe Trust is expected to sign the undertaking today.

If it does sign it would still be able to accept a higher offer if

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Seven of Wellcome board could share £10m	Page 19
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one emerged within 21 days of the publication of Glaxo's offer document.

But Wellcome believes that working within sucb a deadline would make it more difficult to attract a higher offer. "If you are asking someone to sign a cheque for £11bn it takes a bit of time for them to make up their minds," said one of the company's advisers.

While most observers have dismissed the chances of a higher offer, Sir Anthony Tennant, deputy chairman of Wellcome, said the board was "fairly confident" of attracting another bidder. "We are in constant dialogue with all the major players in the industry. We know wbat their strategies are and what they are interested in."

"Wellcome is doing its best to get a higher bid from Glaxo or from a third party," said one analyst, adding: "Possible bidders include Merck and Pfizer of the US, Hoechst, BASF and Bayer in Germany or Roche of Switzerland."

Although Glaxo's offer has been seen by analysts as a fair price, Sir Anthony argued that a successful bid at this level would enhance Glaxo's earnings "quite considerably".

Mr Robb said Wellcome's unpublished 1994 results would show it in a better light than the 1993 figures used by Glaxo in its offer on Monday.

He said confidential information of the progress of new drug applications should also maka the company more attractive to other potential bidders.

He expressed "disappointment" that the Trust had "turned down our request for a meeting".

Since Monday, communications between Wellcome and Wellcome Trust have been conducted through their advisers.

Wellcome sbares rose 32p to close yesterday at 986p.

Remembrance: The president of Germany, Roman Herzog (centre) stands in silence yesterday at a ceremony to mark the fiftieth anniversary of the liberation of the Nazi death camps at Auschwitz-Birkenau. Mourning with him are Ignatz Bubis (left), the chairman of Germany's Jewish community, and Mr Bubis' deputy, Michael Friedmann (right). Report, Page 2 Picture: Reuter

BAe puts Jetstream business into joint venture

By Bernard Gray, Defence Correspondent

British Aerospace is putting its Jetstream and Avro regional aircraft business into a joint venture with the Franco-Italian aircraft group ATR.

As a result of the deal, BAe will cease prodnction of its lossmaking Jetstream 61 aircraft and abont 1,000 jobs will be lost at the company's UK factories at Woodford in Mancbester and Prestwick in Scotland.

ATR's two parent companies, Aérospatiale of France and Alenia of Italy, will each bave a one-third sbarebolding in the new venture, along with BAe.

The new partners will consider adding further members to the grouping, but said the level of difficulty increased as the number of members rose.

The new venture, with beadquarters at Toulouse in France, will handle all marketing and customer support for the gronp's turboprop and jet aircraft range.

Manofacturing and rationalisation will remain the responsibility of eacb parent company, althongb final assembly and engineering may be handled by the joint venture later if the first

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High hopes for formation flying, Page 13

Elf to sell minerals business as charges lead to first loss

By John Ridding in Paris

Elf Aquitaine, the French oil group, yesterday reported its first net loss and said it planned to sell the phosphates and soda ash businesses of Texasgulf, the US minerals company.

Elf recorded a net loss of FFr5.4bn ($1bn) for 1994 after taking provisions of FFr8.7bn to cover changes in US accounting standards, the write-down of assets and restructuring costs.

In spite of tbe scale of tbe losses, Mr Philippe Jaffré, Elf's chairman, was upbeat. He said profits of FFr3.3bn before exceptional charges represented the first increase since 1990 and claimed Elf was recovering faster than expected from a protracted decline in profitability.

"Tha loss in 1994 was exceptional in every sense," Mr Jaffré said, claiming that profits in 1995 should exceed last year's pre-exceptional figure.

He said the confidence of the board was reflected in its decision to maintain the dividend at FFr13. Elf shares rose by FFr17.9 to FFr378.1.

The company said it planned to sell Texasgulf's phospbates operations within the next few months. It expected to receive about $500m from the sale, and indicated that it would also sell Texasgulf's soda asb businesses. Elf paid FFr13bn for Texasgulf in 1981.

Mr Jaffré said Elf had achieved all of the targets set at the time of privatisation.

Net receipts from disposals exceeded tbe FFr5bn forecast,

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while cost-cutting had boosted profits by FFr1.1bn. Operating profits rose from FFr9.4bn to FFr11bn, while debts fell FFr8bn to FFr45bn.

The rise in underlying profits was achieved in spite of difficult market conditions.

The price of oil fell from an average of FFr96 per barrel in 1993 to FFr86 per barrel last year. Refining margina declined further while Elf faced intensified competition in the retail market, notably from supermarkets.

Elf's improved underlying results were, bowever, eliminated by exceptional provisions. In particular, a FFr5.4bn charge was taken to cover the impact of a US accounting cbange whicb Elf expects to take effect in 1996.

According to Elf, the accounting change will mean that oil groups will no longer be able to offset assets against each other on their balance sbeets. Hence, overvalued assets have to be written down.

The French group, which made expensive acquisitions in the 1980s and early 1990s, is one of the companies most affected by the new accounting standard.

Mr Jaffré said Elf would step up its activities in Asia and would seek to strengthen its operstions in European gas distribution. A new subsidiary, Elfgaz, would be set up to form partnerships in the sector.

Elf also plans to raise its bolding in Cepsa, the Spanish refinery and distribution company, from 33.6 per cent to 44 per cent. Initially the Freoch group will pay FFr700m for a further 5 per cent stake in its Spanish partner.

CONTENTS

NEWS: THE LESSONS OF MEXICO

Three critical mistakes along a trail to trouble

Stephen Fidler and **Ted Bardacke** plot the ways by which the Mexican government reached a financial crisis

As the dust begins to clear over the circumstances leading up to Mexico's financial crisis, three critical mistakes appear to have been made. They cast doubt on the central bank's handling of monetary policy, and on its independence, and suggest the government's obsession with political problems led it to relax financial policies excessively.

Over five years, the Mexican government built up a reputation for cautious economic management. Last year, with two political assassinations, a peasant revolt and an election in August, there was a significant easing of policy.

According to Mr Jeffrey Sachs, professor of economics at Harvard University, central bank figures suggest that "the government and the central bank tried to fight the rise in interest rates ... by increasing domestic credit in the economy."

The excess supply of pesos created as a result of the expansion of domestic credit placed an eventually fatal burden on the exchange rate regime. "It appears that Mexico's monetary policy was inconsistent with Mexico's commitment to a pegged exchange rate," says Mr Sachs. The Mexican crisis, be argues, "offers a case not against the pegged exchange rate [in itself], bnt rather against a pegged exchange rate combined with excessive domestic credit expansion."

Fiscal policy was expansionary too as the state development banks expanded their lending aggressively. According to Mr James Nash of the Nomura Research Institute in New York, the credit granted by the government's development banks amounted to 4.4 per cent of GDP last year.

Yet, because at the end of 1993, the government redefined its calculation of the fiscal balance to hide the behaviour of state financial institutions, this expansion was hidden from public scrutiny.

While the first mistake – lax fiscal and monetary policies – made the exchange rate regime unsustainable, it did not explain why devaluation became crisis.

For this, one bas to look for a second error – to the build-up of short-term Mexican debt, denominated in or linked to foreign currencies, that was being held by foreigners. Included in this were the now notorious *tesobonos*, the dollar-indexed central bank bills at the centre of the financial crisis.

Mexico's conservative fiscal position for much of the 1990s should have precluded the necessity to raise short-term capital. Yet, when capital inflows were flooding ioto Mexico, the central bank issued short-term peso denominated debt – called *cetes* – to soak up the liquidity this was injecting into the economy. Much of this paper found its way to foreigners.

But, in 1994, in part to avoid putting pressure on interest rates at home, the central bank in 1994 expanded issuance of the dollar-linked *tesobonos* to replace *cetes*.

This now looks a ghastly mistake – but it was compounded by poor debt management which meant there was a significant bunching of maturities of *tesobonos* around the turn of the year.

Investors would not have been so worried about the short-term debt had there been big international financial support at the time of the devaluation – or if the devaluation had occurred earlier with reserves higher. This was part of the final bungle. So rushed was the devaluation on December 20 – an initial 15 per cent lowering of the peso's "floor" – that there were no "flanking policies". Foreign governments had not been informed; there was no plan for domestic economic adjustment.

"They changed the currency regime without defining a new one," said one former Mexican official. On the next two days, almost $4bn (£2.5bn) was lost in reserves – forcing the government into an ignominous floating of the peso.

In these two days, some big Mexican banks were heavy sellers of pesos, as if they had heard sentiment in the government was not united behind the new floor.

Indeed, there had been debate within the government about whether to float initially. Government officials say that a meeting of the exchange rate commission, chaired by then finance minister Mr Jaime Serra Puche. He argued for a widening of the band – but had one nf his under-secretaries, Mr Pedro Noyola, throw out a trial balloon about a possible float. This was rejected but the idea of an uncommitted government may have emerged.

The government officials said that twice – first in September, then on November 20 – the incoming presideot, Mr Ernesto Zedillo asked the then head of state, Mr Carlos Salinas, to devalue. Mr Salinas did not refuse – but referred the request to finance minister Pedro Aspe and central bank president Miguel Mancera – both exchange rate hawks who advised against the devaluation. This may have been a last chance for a soft-landing of the economy.

See Editorial Comment

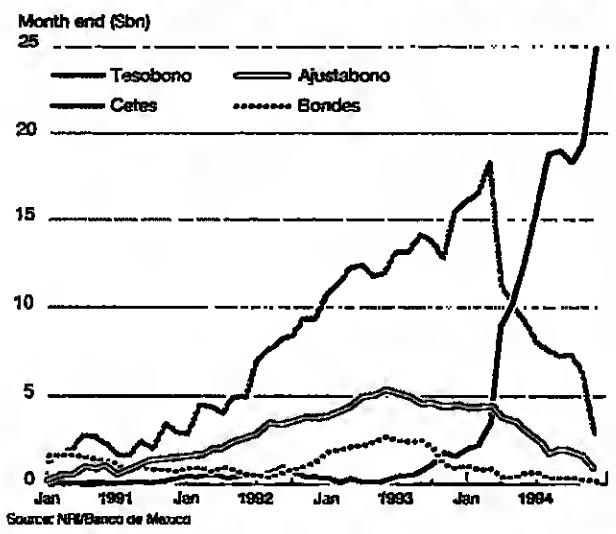
More liberal flow of funds creates instability

By Stephen Fidler, Latin America Editor

The rapid expansion of cross-border flows of capital through the securities markets was a phenomenon of the late-1980s, which was extended to the world's poorer countries in the first half of this decade.

The Mexican financial crisis has forcefully demonstrated the potential for instability that these flows create, and shows that the long-term consequences of the development have not yet been fully grasped.

Mexico: foreign holdings of government securities



Source: NR/Banco de Mexico

Mr David Hale, chief economist for Chicago-based Kemper Financial Services, says that the crisis and its spillover into other markets worldwide have "demonstrated the fragilities of the post cold-war boom in securitised capital flows to developing country financial markets."

The shift was made possible by the widespread removal, over the last decade, of exchange controls and other constraints on the movement of capital. The profound reaction to Mexico's currency devaluation on December 20 – and the way the crisis rippled out to every "emerging market" and to others in industrialised countries – also reflects the growth in importance of mutual funds in the US.

"When the history books are written, the 1995 peso crisis will be regarded as the first great liquidity crisis to result in part from the rise of mutual funds as important global financial intermediaries," says Mr Hale.

He calculates that mutual fund assets are now equal to 90 per cent of US bank deposits – compared with barely 10 per cent in 1980, when they invested mainly in money market funds.

With mutual fund managers driven by the need to have sufficient to pay off clients redeeming their holdings, the crisis led to heavy mutual fund selling in markets with only remote connections to Mexico.

In Mexico itself, says Mr Hale, "the advocates of devaluation simply did not understand the differences between importing capital from US banks during the 1970s and importing capital from a mutual fund sector which has to pnblish daily asset prices and can suffer large redemptions if there are adverse news reports about its performance."

The peso crisis has further underlined the fundamental importance of US liquidity in determining the amount of capital inflows into developing countries.

Mr Guillermo Calvo, professor of economics at the University of Maryland and formerly with the International Monetary Fund, says that there was "a misreading in Latin America of what the reflow of capital meant".

His studies showed that, while some capital was attracted by economic policy changes in recipient countries, around half was tied to low US interest rates. This meant that, when US interest rates began to rise last February, reflecting higher demand for capital in the industrialised world, the funds flowing into emerging markets were bound to decelerate rapidly.

This in turn meant that the managers of much of the capital that flowed into Latin America were hardly aware of what was going on in the region. One Wall Street money manager told Mr Calvo: "We went into Latin America not knowing anything about the place. Now we are leaving without knowing anything about it."

Hard-nosed money managers also make default potentially more problematic even than in the 1982 Latin American debt crisis. Then, commercial bank lenders were – partly out of the desire to rescue their own portfolios – dragooned into reschedulings.

The heterogeneous mass of today's investors is likely to be less susceptible to central bank suasion. On the other hand, the variety of investors offers some hope for a faster recovery of capital flows than in 1982. Equity investments represented a small part of the debt-denominated inflows that flooded into Latin America before 1982.

In contrast, during the last three years, between a quarter and a half of all capital flows to developing countries has been equity investment – either direct or portfolio. The strong advantage of equity is that, if things do go wrong, the value of the obligation falls.

Furthermore, given the broad spread of investors, some – perhaps including aggressive hedge funds – may see opportunity in areas where the more conservative see only risk.

The Institute of International Finance, the Washington-based study group established by banks after the last debt crisis, forecasts that the Mexican crisis will contribute to a slowing of capital flows to developing countries this year, but that the flows will remain much higher than in the 1980s.

It estimates net external financing to developing countries will fall to $146bn (£92bn) this year from $166bn last and the peak of $204bn in 1993. It estimates equity flows remaining little changed at just under $75bn.

Nonetheless, there is no hiding the trauma caused by the Mexican devaluation. Mr Calvo says that it reflects "not only a crisis in Mexico but also a crisis in Wall Street." The reaction was magnified by the "moral hazard problems" resulting from Wall Street's big investment in emerging market research and investment banking departments."

Mr Hale says that many firms downplayed Mexico's vulnerability because they were afraid that it would jeopardise the privatisation and other deals they were doing in the region.

A more profound issue is the management of crisis, given the size of the funds now washing around in the world's financial system. The proposed size of the US guarantee package for Mexico soon to go before Congress – $40bn – dwarfs any amount that could be provided by the IMF or World Bank.

"We created the IMF to deal with problems such as these but now the numbers are so large that we have entered a new world. There is a very serious need for a serious rethinking of these institutions," says Mr Calvo.

It seems doubtful that any institution could be satisfactorily constructed to act as lender of last resort under these circumstances.

Two Mexican finance ministers much embroiled in their country's crisis: Guillermo Ortiz, the incumbent (left), and Pedro Aspe, his predecesor Picture: Reuter/Ashley Ashwood

Spotting pitfalls in investment jungle

By Stephanie Flanders

Emerging market enthusiasts have vowed to invest more selectively in the wake of the Mexican crisis. But how can they avoid getting caught out elsewhere?

The table shows some basic indicators investors should watch. If they are available on a timely basis (a big if) they ought to provide a fair indication of a country's vulnerability to a loss of investor confidence, and the resources it has to withstand such a shift.

A current account deficit – the natural counterpart to a net inflow of foreign capital – need not present a problem in itself. Even a relatively large deficit may be sustainable in the medium term. The bigger it is, however, the more important to know what is causing it and how it is being funded.

The root of all current account deficits is low domestic saving, relative to domestic demand. If foreign money is being invested in profitable private investment, the deficit ought to be sustainable.

The worry comes when the inflow is being used to finance excessive consumption. In theory, only government can get away with borrowing beyond its means. The budget deficit will tell you whether inflows are merely financing government over-spending.

However, deficit figures as published by governments are sometimes unreliable and not always directly comparable – as unfortunately is the case with our table. The Mexican government's own numbers last year masked big rises in lending by state-owned banks. All the same, the roots of much of the crisis were in the private sector: last year foreign money was increasingly being lent on a very short term basis, to finance private consumption.

The figures on the composition of capital inflows provide a way to assess whether other countries are caught in a similar trap. Reassuringly, perhaps, Mexico is an outlier. Foreign direct investment – difficult to take out – accounts for only a small proportion of recent inflows into Mexico. More footloose portfolio capital occounted for the remainder, much of it extremely short-term, as the foreign debt breakdown shows.

Taken together, these indicators show whether a country is vulnerable to a change of heart by investors. The level of foreign reserves can tell how well the government could cope with o sudden fall in confidence. However, by the same token, a low level of reserves is a fair sign things have been going wrong for some time.

Folling reserves are an even better signal. It is usually more important to know the way things have been moving than the current state of play. It is fairly easy to keep up with daily changes in the rate. Other key variables are often only available months later. In the Mexican case, lack of clear and timely information about the level of reserves and – critically – domestic monetary growth exacerbated the shock of devaluation.

It is worth remembering that raw statistics cannot capture the political side of country risk. Elections, unstable governments, and the degree to which monetary policy is independent of political control will all make a country more or less capable of pursuing policies which are not sustainable in the long term.

Emerging markets: an economic health check

	Mexico	Argentina	Brazil	Chile	China	Hungary	Indonesia	Philippines	South Africa	South Korea	Thailand	Turkey	Venezuela
Balance of payments													
Current account balance as % of GDP (1994)	-8.0	-3.5	-0.4	-2.9	0.5	-9.4	-2.6	-5.9	-0.7	-0.7	-5.4	3.2	5.6
Foreign direct investment as % of GNP (1993)	1.47	2.51	0.15	2.00	6.59	6.36	1.47	1.38	n.a.	0.16	1.97	0.52	0.64
Reserves: months of payments for imports & interest (1994)	0.7	5.2	9.1	8.0	4.2	5.0	4.3	2.8	0.7	2.3	5.5	3.1	6.5
Debt position													
Total external debt as % of GDP (1994)	48	31	26	43	25	67	65	67	24	16	47	69	66
Total external debt as % of exports (1994)	230.5	416.2	314.4	150.2	87.3	255.2	229.7	184.7	97.0	53.9	116.4	225.8	225.3
Short-term external debt as % of total external debt (1994)	38.0	11.7	23.6	19.3	28.3	11.0	22.4	18.9	27.0	33.4	46.8	19.3	5.7
Macro-economic policy stance													
Budget balance as % of GDP (1994)	-0.3	0.1	-0.3	1.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-4.6
Inflation rate (%, 1994)	7.0	3.8	1,048	8.7	24.2	19.1	9.0	9.1	8.8	6.3	5.0	106.2	72.2
Savings as % of GDP (1994 estimates, *1993)	16.7	13.8*	21.6	22.1*	40.4*	11.2	32.7	19.0	16.3	34.5*	34.2*	20.4*	16.7*
Investment as % of GDP (1994 estimates, *1993)	28.1	17.0*	22.0	27.2*	41.7*	25.6	36.2	26.1	17.2	34.6*	43.9*	24.9*	23.1*
Real GDP growth (%, 1994)	3.2	5.8	4.6	4.5	11.5	2.5	6.9	3.8	2.0	9.0	8.5	-5.0	-4.5

Source: Institute of International Finance; World Bank (foreign direct investment); Consensus Economics Inc, London (budget balances and inflation)

Attractions and dangers of big foreign capital inflows

By Martin Wolf

It seems strange to worry about capital inflnws. On the one hand are poor countries, desperate to raise the living standards of their populations. On the other are investors, prepared to shower money npon them. Can this really be a bad thing?

Up to a point it can. Unstable capital flnws bring abont changes costly to reverse. That the flows can be unstable is clear. The real value of private resource flows to developing countries were – reports the World Bank's latest debt tables – a mere $47bn in 1990 (in 1994 dollars), for example, and $64bn in 1991. They jumped to $104bn in 1992 and to $166bn in 1993; in 1994 they are estimated to have risen a little more, to $173bn.*

Most remarkable has been the instability in the real flows of portfolio equity, which jumped from $4bn in 1990 to $49bn in 1993, before falling back to an estimated $40bn in 1994. Similarly, real net private debt flows jumped from $15bn in 1990 to $48bn in 1993 and $56bn in 1994. Even foreign direct investment increased from $27bn in 1990 to $70bn in 1993 and then $78bn in 1994.

What goes up can, unfortunately, go down, perhaps as quickly as it rose. One qnestion is whether that is now going to happen? It may. Another qnestion is how countries have coped – and should cope – with this kind of instability.

To help answer that question, one can turn to a Wnrld Bank study, published last year comparing four Latin American countries – Argentina, Chile, Colombia and Mexico – with five East Asian ones – Indonesia, Korea, Malaysia, the Philippines and Thailand.#

The most important macroeconomic effect of capital inflows is an increase in domestic expenditures, indnced by a reduction in interest rates. That increase in spending will fall on both tradable and non-tradable goods and services. In the case of tradables, the result is an increase in the current account deficit; in the case of non-tradables, it is a rise in prices. This rise in the prices of non-tradables, vis a vis tradables, represents an appreciation in the "real exchange rate". The effect will be a decline in domestic production of tradables and an expansion in production of non-tradables.

The study lists five reasons why sucb effects are worth worrying about.

- Where conntries have weak regulatory regimes, expansion of the financial system may create a bubble and a banking crisis, as in Chile in the early 1980s.
- Countries that have recently reformed their trade policies will find the desired expansion of exports curtailed and the unpopular expansion of import-substitutes accelerated, with unhappy political consequences, perhaps including reversal of the reform itself.
- Where capital inflows are unstable, the expansion of financial intermediatioo and contraction of the production of tradable goods, during the period of high inflow, is likely to leave the economy with a painful adjustment when it reverses.
- The cnrrent account deficit may become unsustainably large, undermining the country's creditworthiness and inducing a reversal of the inflows.
- The inflationary consequences of the monetisation of capital inflows nnder fixed exchange rates may undermine the credibility of the exchange rate as a counter-inflationary anchor, leaving monetary policy in disarray.

Some problems are inherent in any inflows. But they are particularly large with portfolio flows, more likely to be unstable than direct investment.

What can be done to stabilise flows or minimise the adverse effects of unstable ooes? A distinction can be drawn between direct and indirect measures. Direct measures include a cut in domestic interest rates, probably accompanied by tighter fiscal policy, elimination of incentives for inflows, sncb as deposit insurance, or direct physical controls on inflows.

Indirect measures wonld inclnde foreign exchange intervention, either sterilised (where the monetary effects of intervention are offset by sales of longer-term domestic bonds) or unsterilised (money supply is allowed to expand unchecked).

Most important of all is to develop an economy able to adjust to shocks. Industries prodocing tradeables need to be able to expand swiftly in response to relatively modest movemeots in inceotives, this being Korea's great advantage in the early 1980s. Also important are measures to underpin foreign confidence, such as credible monetary and fiscal policies and large foreign exchange reserves.

The menn is long. What does the experience of the countries under study show abont what actually worked? There were three principal conclusions.

First, the countries that received the largest capital inflows as a percentage of GDP were not the ones that suffered the largest real appreciatinns. The most important actinn to limit appreciatinn was to tighten fiscal policy. "Those countries that increased their public savings were, able to leave more space for the increase in private sector investment being financed by the capital inflow." It was also vital to boost public savings by cutting government consumption.

Second, a mixture of fiscal and monetary policies is needed to manage inflows in the short run, because fiscal policy tends to be inflexible. But sterilised intervention does not seem effective in the longer run. By raising domestic interest rates, offsetting sales of domestic bonds tend to increase the capital inflow. When the domestic long-term interest rate is bigber tban the retnrn on foreign exchange reserves, this policy increases the "quasi-fiscal" central bank deficit.

The imposition of restrictions on capital inflows can be effective in the short run. But the World Bank argues these are no longer effective in the long run, because of the integration and globalisation of financial markets.

In the aftermath of the Mexican shock, all this may well be academic. The challenge facing many capital-importing countries is, as it is now in Mexico, likely to be the traditional nne of how to keep capital from flowing out, rather than bow to stop it from pouring in. But the challenge of managing capital inflows will, no doubt, return. Countries sbould prepare their policy armouries now.

* *World Debt Tables 1994-95: External Finance for Developing Countries, Volume 1 (Washington DC: World Bank).*

\# *Vittorio Corbo and Leonardo Hernández, Macroeconomic Adjustment to Capital Inflows: Latin American Style versus East Asian Style, Policy Research Working Paper 1377, World Bank, Washington DC.*

Leaks launch Andreotti's Mafia trial

By Robert Graham in Rome

The public trial of Giulio Andreotti, seven times prime minister of Italy, for his alleged links with the Mafia is well under way even though the case has yet to get to the courts.

For the past week leaked extracts of prosecution evidence have been appearing in the media in advance of today's preliminary hearing in Palermo. The hearing is due to determine whether there is sufficient evidence to send him for trial.

Already the hearing has been twice postponed since last October, and it is likely to be put back yet further, not least because of a local lawyers' strike.

The request for Mr Andreotti to stand trial was made by Palermo magistrates in June 1993. Ever since then pieces of evidence have emerged, allegedly incriminating the former Christian Democrat prime minister who for many years was one of the most powerful men in Italy. But nothing has matched the flood of information in recent days – obliging Mr Andreotti to defend himself in advance.

The heart of the accusations against Mr Andreotti is that he acted as the principal point of reference and help for the Mafia at the centre of power in Rome. As such, he allegedly used his influence to protect Mafia bosses and fix court sentences. In return for this, the Mafia is said to have helped protect the interests of ruling Christian Democrats in Sicily, where the faction supporting Mr Andreotti was dominant.

These exceptionally grave accusations are based upon evidence provided by former members of the Mafia who have decided to collaborate with the authorities under witness protection programmes. Mr Andreotti has consistently denied the evidence of these so-called *pentiti*, albeit in evasive tones. He claims they are bent on a political vendetta and using hearsay to blacken his reputation. Latterly, Mr Andreotti has begun to talk of a US-based international campaign to discredit his reputation.

No less than 17 *pentiti* have testified against Mr Andreotti, including several whose statements have proved utterly reliable and legally acceptable as evidence in prosecuting members of the Mafia. Principal among these is Mr Tommaso Buscetta who has come to be used by the Italian judicial authorities as the single biggest accuser of the leadership of Cosa Nostra, the umbrella organisation of the Sicilian Mafia.

Thus, if Mr Andreotti is not sent for trial the implication would be that the *pentiti* evidence in his case was unreliable. This in turn would open a breach in the entire system of *pentiti*, arguably the single most important instrument in fighting against Italy's organised crime.

A more complex point is whether the information provided by the former Mafia members is sufficiently firm for prosecution. One of Mr Andreotti's weakest points has been his acknowledged friendship with Salvo Lima, the political boss of the Christian Democrats in Sicily and a Cosa Nostra member. Lima was murdered by the Mafia in 1992 because he was no longer able to "deliver" rigged sentences in Rome. Mr Andreotti says he was unaware of these Mafia connections.

He further denies knowing the Salvo cousins, two prominent Sicilian business figures linked to the Mafia and patrons of the Christian Democrat party. Documents recently released show Mr Andreotti using a car registered in their name while on Christian Democrat business.

Others claim to show gaps in the escort logs of his bodyguards while on trips to Sicily during the 1980s.

Turkish press war over – 3m readers hurt

Newspaper barons can no longer afford to give away Korans, cars and other gifts, writes **John Barham**

Turkey's warring press barons have signed a truce after a year-long circulation battle that saw them resort to a bewildering array of gimmicks.

They gave away free copies of the Koran; sets of encyclopedias; sacks of potatoes; cars; television sets; and toothbrushes. They also enticed readers with lotteries.

But a week ago the owners of the Sabah and Hürriyet-Milliyet newspaper groups, which together control three quarters of the Turkish newspaper market, promised to restrict the promotional campaigns that were bleeding both companies white.

Even Mr Ertugrul Ozkök, editor of Hürriyet, admits: "There is no logic to it. It is competition, to stay strong in the market."

Mr Zafer Mutlu, Sabah's editor-in-chief, says: "Everyone knows we cannot beat the other. It was getting out of control and we all paid the price for it."

Both groups are burdened by heavy debts. Financial and raw material costs are climbing. The economy is in its deepest crisis for 70 years. Circulation fell by 20 per cent last year and advertising revenues dropped by half.

Last year Hürriyet's share price fell 86 per cent in dollar terms and Sabah's by 84 per cent. The burden of the costly promotions only worsened their troubles. Last year, Hürriyet promised a promotions campaign costing the equivalent of $30m, roughly a third of expected revenues. It had to scale this back substantially in the end. The publishers resorted to promotions because the cover prices of 38 cents were already too low to cut, but too high for the average Turk struggling on an annual income of about $2,500.

Turkey has a population of 60m, but its 16 national dailies have a total average daily circulation of just 3m – a figure that has not changed much over the last 10 years in spite of strong economic and demographic growth.

The expensive campaigns have done little to bolster loyalty, according to a report by Istanbul's Global Securities. Circulation dropped sharply as soon as a promotion was terminated. Milliyet, a national daily, saw circulation fall by half to 502,000 within weeks of the end of its campaign offering sets of encyclopedias.

Battle-weary: rival newspapers Sabah and Hürriyet have suffered losses through costly promotions

Encyclopedias were the most effective weapon in the campaigns. Over a period of several months, people would buy newspapers every day to collect instalments of the encyclopedias. As a result, Turkey now has the second highest number of encyclopedias per head in the world. Only Russia has more.

Sabah, for seven years Turkey's best-selling paper, is gaining the upper hand. Since its launch in 1985, the brash, colour broadsheet has led the way in Turkish newspaper publishing. It was the first to combine serious journalism, featuring specialist columnists, with tabloid material. Competitors followed its lead to the point where most Turkish newspapers look much the same.

Under Mr Dinç Bilgin, grandson of the publishing company's founder, Sabah has emerged as Turkey's best managed and financially strongest media group. In spite of the dreadful market conditions last year it looks the best positioned to survive the promotion campaign.

Yet Sabah's parent company, Medya Holding AŞ reported $44.5m in short-term debt – half its balance sheet – in last year's accounts. Pre-tax 1994 profits were just $1.8m on turnover of $104m.

Mr Bilgin has built up a stable of six titles, a range of magazines and one of Turkey's leading television channel. He has just launched Yeni Yüzyil, a quality broadsheet with a business and economics slant.

With the truce in place, Mr Bilgin and Mr Aydin Dogan, the owner of Hürriyet and Milliyet, face the daunting prospect of competing on the intrinsic strengths of their newspapers. They have promised each other that from now on, neither will spend more than the equivalent of 8 cents per copy on promotions.

Mr Bilgin says: "We are going back to basics. We are going back to journalism. I am hopeful, but I am not sure [the truce] will work."

He is right to be cautious. All previous accords have ended acrimoniously after one of the companies broke ranks, forcing competitors to retaliate with more and more extravagant offers.

Few media watchers think this agreement will be different and expect the great newspaper war will soon begin again – to the delight of encyclopedia collectors, Koran readers and lottery fanatics.

Europol to take on fight against terrorism

By Emma Tucker in Paris

EU ambitions to establish a cross-border European police intelligence agency took a significant step forward yesterday after interior ministers agreed to include terrorism within the scope of the force two years after it is set up.

At an informal meeting in Paris, the much-delayed plans to tackle EU-wide crime were boosted by an apparent willingness among ministers to reach a compromise on how Europol should be structured.

The breakthrough, which follows months of stalled negotiations, reflects the desire of member states to tackle cross-border crime, and significantly raised the likelihood that a convention setting up Europol will be signed by the end of France's six-month EU presideocy. During the meeting – chaired by France's hard-line interior minister, Mr Charles Pasqua – Spain dropped its long-standing demand that terrorism be included within Europol's domain from the start, conceding there should be a two-year gap after the convention is signed. The UK, which has resisted moves to bring terrorism within Europol's mandate, dropped its objections.

> Spain, fighting Basque separatists, has always argued terrorism should never be the problem of one member state acting alone

Spain – fighting against Basque separatists – has always argued that terrorism must be a matter for supra-national action.

"Terrorism should never be the problem of one member state acting alone," said Ms Margarita Robles, the Spanish interior minister. The meeting was the first since EU heads of state committed themselves in December to reaching agreement on setting up Europol by the next summit of heads of state, to be held in Cannes in June.

The commitment was treated warily by many EU officials who suspected that differences between France and Germany over the agency's mandate would make an early agreement impossible.

However, Mr Pasqua yesterday suggested that a compromise put forward by the French had met general agreement, and that a convention could be ready by March.

Paris had previously maintained that Europol should only deal with low-grade information controlled by national police liaison officers and not have the capacity to create or store its own intelligence.

This view opened up a rift with the German government which is under pressure at home from rising crime, in particular car theft.

Germany, backed by the UK, favoured a European version of the US Federal Bureau of Investigation, with officers able to cross national frontiers. The agency would also be able to collate sensitive, high-grade information to which access would be limited.

Mr Pasqua spoke yesterday of a plan to allow Europol to handle sensitive information with strictly controlled access. Member states would still keep control over the data's confidentiality.

"We reached widespread agreement on this point," said Mr Pasqua. "At the next official council meeting, we will be able to firm up the accords."

However, EU diplomats were more cautious, noting that sensitive issues such as the agency's accountability to the European Parliament, Court of Justice and Court of Auditors had not even been properly addressed.

Three critical mistakes along a trail to trouble

Stephen Fidler and Ted Bardacke plot the ways by which the Mexican government reached a financial crisis

As the dust begins to clear over the circumstances leading up to Mexico's financial crisis, three critical mistakes appear to have been made. They cast doubt on the central bank's handling of monetary policy, and on its independence, and suggest the government's obsession with political problems led it to relax financial policies excessively.

Over five years, the Mexican government built up a reputation for cautious economic management. Last year, with two political assassinations, a peasant revolt and an election in August, there was a significant easing of policy.

According to Mr Jeffrey Sachs, professor of economics at Harvard University, central bank figures suggest that "the government and the central bank tried to fight the rise in interest rates ... by increasing domestic credit in the economy."

The excess supply of pesos created as a result of the expansion of domestic credit placed an eventually fatal burden on the exchange rate regime. "It appears that Mexico's monetary policy was inconsistent with Mexico's commitment to a pegged exchange rate," says Mr Sachs. The Mexican crisis, he argues, "offers a case not against the pegged exchange rate [in itself], but rather against a pegged exchange rate combined with excessive domestic credit expansion."

Fiscal policy was expansionary too as the state development banks expanded their lending aggressively. According to Mr James Nash of the Nomura Research Institute in New York, the credit granted by the government's development banks amounted to 4.4 per cent of GDP last year.

Yet, because at the end of 1993, the government redefined its calculation of the fiscal balance to hide the behaviour of state financial institutions, this expansion was hidden from public scrutiny.

While the first mistake – lax fiscal and monetary policies – made the exchange rate regime unsustainable, it did not explain why devaluation became crisis.

For this, one has to look for a second error – to the build-up of short-term Mexican debt, denominated in or linked to foreign currencies, that was being held by foreigners. Included in this were the now notorious *tesobonos*, the dollar-indexed central bank bills at the centre of the financial crisis.

Mexico's conservative fiscal position for much of the 1990s should have precluded the necessity to raise short-term capital. Yet, when capital inflows were flooding into Mexico, the central bank issued short-term peso denominated debt – called *cetes* – to soak up the liquidity this was injecting into the economy. Much of this paper found its way to foreigners.

But, in 1994, in part to avoid putting pressure on interest rates at home, the central bank in 1994 expanded issuance of the dollar-linked *tesobonos* to replace *cetes*.

This now looks a ghastly mistake – but it was compounded by poor debt management which meant there was a significant bunching of maturities of *tesobonos* around the turn of the year.

Investors would not have been so worried about the short-term debt had there been big international financial support at the time of the devaluation – or if the devaluation had occurred earlier with reserves higher. This was part of the final bungle. So rushed was the devaluation on December 20 – an initial 15 per cent lowering of the peso's "floor" – that there were no "flanking policies". Foreign governments had not been informed; there was no plan for domestic economic adjustment.

"They changed the currency regime without defining a new one," said one former Mexican official. On the next two days, almost $4bn (£2.5bn) was lost in reserves – forcing the government into an ignominous floating of the peso.

In these two days, some big Mexican banks were heavy sellers of pesos, as if they had heard sentiment in the government was not united behind the new floor.

Indeed, there had been debate within the government about whether to float initially. Government officials say that a meeting of the exchange rate commission, chaired by then finance minister Mr Jaime Serra Puche. He argued for a widening of the band – but had one of his under-secretaries, Mr Pedro Noyola, throw out a trial balloon about a possible float. This was rejected but the idea of an uncommitted government may have emerged.

The government officials said that twice – first in September, then on November 20 – the incoming president, Mr Ernesto Zedillo asked the then head of state, Mr Carlos Salinas, to devalue. Mr Salinas did not refuse – but referred the request to finance minister Pedro Aspe and central bank president Miguel Mancera – both exchange rate hawks who advised against the devaluation. This may have been a last chance for a *soft-landing* of the economy.

See Editorial Comment

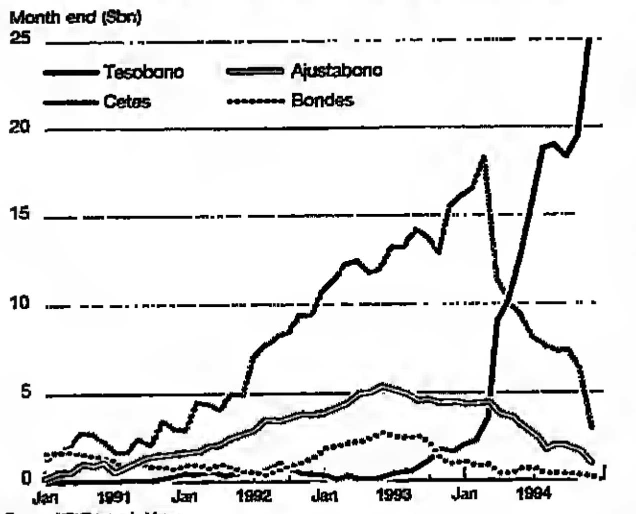
More liberal flow of funds creates instability

By Stephen Fidler, Latin America Editor

The rapid expansion of cross-border flows of capital through the securities markets was a phenomenon of the late-1980s, which was extended to the world's poorer countries in the first half of this decade.

The Mexican financial crisis has forcefully demonstrated the potential for instability that these flows create, and shows that the long-term consequences of the development have not yet been fully grasped.

Mexico: foreign holdings of government securities



Source: NP/Banco de Mexico

Mr David Hale, chief economist for Chicago-based Kemper Financial Services, says that the crisis and its spillover into other markets worldwide have "demonstrated the fragilities of the post cold-war boom in securitised capital flows to developing country financial markets."

The shift was made possible by the widespread removal, over the last decade, of exchange controls and other constraints on the movement of capital. The profound reaction to Mexico's currency devaluation on December 20 – and the way the crisis rippled out to every "emerging market" and to others in industrialised countries – also reflects the growth in importance of mutual funds in the US.

"When the history books are written, the 1995 peso crisis will be regarded as the first great liquidity crisis to result in part from the rise of mutual funds as important global financial intermediaries," says Mr Hale.

He calculates that mutual fund assets are now equal to 90 per cent of US bank deposits – compared with barely 10 per cent in 1980, when they invested mainly in money market funds.

With mutual fund managers driven by the need to have sufficient to pay off clients redeeming their holdings, the crisis led to heavy mutual fund selling in markets with only remote connections to Mexico.

In Mexico itself, says Mr Hale, "the advocates of devaluation simply did not understand the differences between importing capital from US banks during the 1970s and importing capital from a mutual fund sector which has to publish daily asset prices and can suffer large redemptions if there are adverse news reports about its performance."

The peso crisis has further underlined the fundamental importance of US liquidity in determining the amount of capital inflows into developing countries.

Mr Guillermo Calvo, professor of economics at the University of Maryland and formerly with the International Monetary Fund, says that there was "a misreading in Latin America of what the reflow of capital meant".

His studies showed that, while some capital was attracted by economic policy changes in recipient countries, around half was tied to low US interest rates. This meant that, when US interest rates began to rise last February, reflecting higher demand for capital in the industrialised world, the funds flowing into emerging markets were bound to decelerate rapidly.

This in turn meant that the managers of much of the capital that flowed into Latin America were hardly aware of what was going on in the region. One Wall Street money manager told Mr Calvo: "We went into Latin America not knowing anything about the place. Now we are leaving without knowing anything about it."

Hard-nosed money managers also make default potentially more problematic even than in the 1982 Latin American debt crisis. Then, commercial bank lenders were – partly out of the desire to rescue their own portfolios – dragooned into reschedulings.

The heterogeneous mass of today's investors is likely to be less susceptible to central bank suasion. On the other hand, the variety of investors offers some hope for a faster recovery of capital flows than in 1982. Equity investments represented a small part of the debt-denominated inflows that flooded into Latin America before 1982.

In contrast, during the last three years, between a quarter and a half of all capital flows to developing countries has been equity investment – either direct or portfolio. The strong advantage of equity is that, if things do go wrong, the value of the obligation falls.

Furthermore, given the broad spread of investors, some – perhaps including aggressive hedge funds – may see opportunity in areas where the more conservative see only risk.

The Institute of International Finance, the Washington-based study group established by banks after the last debt crisis, forecasts that the Mexican crisis will contribute to a slowing of capital flows to developing countries this year, but that the flows will remain much higher than in the 1980s.

It estimates net external financing to developing countries will fall to $146bn (£92bn) this year from $166bn last and the peak of $204bn in 1993. It estimates equity flows remaining little changed at just under $75bn.

Nonetheless, there is no hiding the trauma caused by the Mexican devaluation. Mr Calvo says that it reflects "not only a crisis in Mexico but also a crisis in Wall Street." The reaction was magnified by the "moral hazard problems" resulting from Wall Street's big investment in emerging market research and investment banking departments."

Mr Hale says that many firms downplayed Mexico's vulnerability because they were afraid that it would jeopardise the privatisation and other deals they were doing in the region.

A more profound issue is the management of crisis, given the size of the funds now washing around in the world's financial system. The proposed size of the US guarantee package for Mexico soon to go before Congress – $40bn – dwarfs any amount that could be provided by the IMF or World Bank.

"We created the IMF to deal with problems such as these but now the numbers are so large that we have entered a new world. There is a very serious need for a serious rethinking of these institutions," says Mr Calvo.

It seems doubtful that any institution could be satisfactorily constructed to act as lender of last resort under these circumstances.

Two Mexican finance ministers much embroiled in their country's crisis: Guillermo Ortiz, the incumbent (left), and Pedro Aspe, his predecesor Picture: Reuter/Ashley Ashwood

Spotting pitfalls in investment jungle

By Stephanie Flanders

Emerging market enthusiasts have vowed to invest more selectively in the wake of the Mexican crisis. But how can they avoid getting caught out elsewhere?

The table shows some basic indicators investors should watch. If they are available on a timely basis (a big if) they ought to provide a fair indication of a country's vulnerability to a loss of investor confidence, and the resources it has to withstand such a shift.

A current account deficit – the natural counterpart to a net inflow of foreign capital – need not present a problem in itself. Even a relatively large deficit may be sustainable in the medium term. The bigger it is, however, the more important to know what is causing it and how it is being funded.

The root of all current account deficits is low domestic saving, relative to domestic demand. If foreign money is being invested in profitable private investment, the deficit ought to be sustainable.

The worry comes when the inflow is being used to finance excessive consumption. In theory, only government can get away with borrowing beyond its means. The budget deficit will tell you whether inflows are merely financing government over-spending.

However, deficit figures as published by governments are sometimes unreliable and not always directly comparable – as unfortunately is the case with our table. The Mexican government's own numbers last year masked big rises in lending by state-owned banks. All the same, the roots of much of the crisis were in the private sector: last year foreign money was increasingly being lent on a very short term basis, to finance private consumption.

The figures on the composition of capital inflows provide a way to assess whether other countries are caught in a similar trap. Reassuringly, perhaps, Mexico is an outlier. Foreign direct investment – difficult to take out – accounts for only a small proportion of recent inflows into Mexico. More footloose portfolio capital accounted for the remainder, much of it extremely short-term, as the foreign debt breakdown shows.

Taken together, these indicators show whether a country is vulnerable to a change of heart by investors. The level of foreign reserves can tell how well the government could cope with a sudden fall in confidence. However, by the same token, a low level of reserves is a fair sign things have been going wrong for some time.

Falling reserves are an even better signal. It is usually more important to know the way things have been moving than the current state of play. It is fairly easy to keep up with daily changes in the rate. Other key variables are often only available months later. In the Mexican case, lack of clear and timely information about the level of reserves and – critically – domestic monetary growth exacerbated the shock of devaluation.

It is worth remembering that raw statistics cannot capture the political side of country risk. Elections, unstable governments, and the degree to which monetary policy is independent of political control will all make a country more or less capable of pursuing policies which are not sustainable in the long term.

Emerging markets: an economic health check

	Mexico	Argentina	Brazil	Chile	China	Hungary	Indonesia	Philippines	South Africa	South Korea	Thailand	Turkey	Venezuela
Balance of payments													
Current account balance as % of GDP (1994)	-8.0	-3.5	-0.4	-2.9	0.5	-9.4	-2.6	-5.9	-0.7	-0.7	-5.4	3.2	5.8
Foreign direct investment as % of GNP (1993)	1.47	2.51	0.15	2.00	6.59	6.36	1.47	1.38	n.a.	0.16	1.97	0.52	0.64
Reserves: months of payments for imports & interest (1994)	0.7	5.2	9.1	8.0	4.2	5.0	4.3	2.8	0.7	2.3	5.5	3.1	6.5
Debt position													
Total external debt as % of GDP (1994)	46	31	26	43	25	67	65	67	24	16	47	69	66
Total external debt as % of exports (1994)	230.5	416.2	314.4	150.2	87.3	255.2	229.7	184.7	97.0	53.9	116.4	225.8	225.3
Short-term external debt as % of total external debt (1994)	38.0	11.7	23.6	19.3	28.3	11.0	22.4	18.9	27.0	33.4	46.8	19.3	5.7
Macro-economic policy stance													
Budget balance as % of GDP (1994)	-0.3	0.1	-0.3	1.3	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-4.6
Inflation rate (%, 1994)	7.0	3.8	1,048	8.7	24.2	19.1	9.0	9.1	8.8	6.3	5.0	106.2	72.2
Savings as % of GDP (1994 estimates, *1993)	16.7	13.8*	21.6	22.1*	40.4*	11.2	32.7	19.0	16.3	34.5*	34.2*	20.4*	16.7*
Investment as % of GDP (1994 estimates, *1993)	28.1	17.0*	22.0	27.2*	41.7*	25.6	36.2	26.1	17.2	34.6*	43.9*	24.9*	23.1*
Real GDP growth (%, 1994)	3.2	5.8	4.6	4.5	11.5	2.5	6.9	3.8	2.0	9.0	8.5	-5.0	-4.5

Source: Institute of International Finance; World Bank (foreign direct investment); Consensus Economics Inc, London (budget balances and inflation)

Attractions and dangers of big foreign capital inflows

By Martin Wolf

It seems strange to worry about capital inflows. On the one hand are poor countries, desperate to raise the living standards of their populations. On the other are investors, prepared to shower money upon them. Can this really be a bad thing?

Up to a point it can. Unstable capital flows bring about changes costly to reverse. That the flows can be unstable is clear. The real value of private resource flows to developing countries were – reports the World Bank's latest debt tables – a mere $47bn in 1990 (in 1994 dollars), for example, and $64bn in 1991. They jumped to $104bn in 1992 and to $166bn in 1993; in 1994 they are estimated to have risen a little more, to $173bn.*

Most remarkable has been the instability in the real flows of portfolio equity, which jumped from $4bn in 1990 to $49bn in 1993, before falling back to an estimated $40bn in 1994. Similarly, real net private debt flows jumped from $15bn in 1990 to $48bn in 1993 and $56bn in 1994. Even foreign direct investment increased from $27bn in 1990 to $70bn in 1993 and then $78bn in 1994.

What goes up can, unfortunately, go down, perhaps as quickly as it rose. One question is whether that is now going to happen? It may. Another question is how countries have coped – and should cope – with this kind of instability.

To help answer that question, one can turn to a World Bank study, published last year comparing four Latin American countries – Argentina, Chile, Colombia and Mexico – with five East Asian ones – Indonesia, Korea, Malaysia, the Philippines and Thailand.#

The most important macroeconomic effect of capital inflows is an increase in domestic expenditures, induced by a reduction in interest rates. That increase in spending will fall on both tradable and non-tradable goods and services. In the case of tradables, the result is an increase in the current account deficit; in the case of non-tradables, it is a rise in prices. This rise in the prices of non-tradables, vis a vis tradables, represents an appreciation in the "real exchange rate". The effect will be a decline in domestic production of tradables and an expansion in production of non-tradables.

The study lists five reasons why such effects are worth worrying about.

- Where countries have weak regulatory regimes, expansion of the financial system may create a bubble and a banking crisis, as in Chile in the early 1980s.
- Countries that have recently reformed their trade policies will find the desired expansion of exports curtailed and the unpopular expansion of import-substitutes accelerated, with unhappy political consequences, perhaps including reversal of the reform itself.
- Where capital inflows are unstable, the expansion of financial intermediation and contraction of the production of tradable goods, during the period of high inflow, is likely to leave the economy with a painful adjustment when it reverses.
- The current account deficit may become unsustainably large, undermining the country's creditworthiness and inducing a reversal of the inflows.
- The inflationary consequences of the monetisation of capital inflows under fixed exchange rates may undermine the credibility of the exchange rate as a counter-inflationary anchor, leaving monetary policy in disarray.

Some problems are inherent in any inflows. But they are particularly large with portfolio flows, more likely to be unstable than direct investment.

What can be done to stabilise flows or minimise the adverse effects of unstable ones? A distinction can be drawn between direct and indirect measures. Direct measures include a cut in domestic interest rates, probably accompanied by tighter fiscal policy, elimination of incentives for inflows, such as deposit insurance, or direct physical controls on inflows.

Indirect measures would include foreign exchange intervention, either sterilised (where the monetary effects of intervention are offset by sales of longer-term domestic bonds) or unsterilised (money supply is allowed to expand unchecked).

Most important of all is to develop an economy able to adjust to shocks. Industries producing tradeables need to be able to expand swiftly in response to relatively modest movements in incentives, this being Korea's great advantage in the early 1980s. Also important are measures to underpin foreign confidence, such as credible monetary and fiscal policies and large foreign exchange reserves.

The menu is long. What does the experience of the countries under study show about what actually worked? There were three principal conclusions.

First, the countries that received the largest capital inflows as a percentage of GDP were not the ones that suffered the largest real appreciations. The most important action to limit appreciation was to tighten fiscal policy. "Those countries that increased their public savings were, able to leave more space for the increase in private sector investment being financed by the capital inflow." It was also vital to boost public savings by cutting government consumption.

Second, a mixture of fiscal and monetary policies is needed to manage inflows in the short run, because fiscal policy tends to be inflexible. But sterilised intervention does not seem effective in the longer run. By raising domestic interest rates, offsetting sales of domestic bonds tend to increase the capital inflow. When the domestic long-term interest rate is higher than the return on foreign exchange reserves, this policy increases the "quasi-fiscal" central bank deficit.

The imposition of restrictions on capital inflows can be effective in the short run. But the World Bank argues these are no longer effective in the long run, because of the integration and globalisation of financial markets.

In the aftermath of the Mexican shock, all this may well be academic. The challenge facing many capital-importing countries is, as it is now in Mexico, likely to be the traditional one of how to keep capital from flowing out, rather than how to stop it from pouring in. But the challenge of managing capital inflows will, no doubt, return. Countries should prepare their policy armouries now.

* *World Debt Tables 1994-95: External Finance for Developing Countries, Volume I* (Washington DC: World Bank).

\# *Vittorio Corbo and Leonardo Hernandez, Macroeconomic Adjustment to Capital Inflows: Latin American Style versus East Asian Style, Policy Research Working Paper 1377, World Bank, Washington DC.*

هكذا منه الأصل

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NEWS: THE AMERICAS

Biggest annual leap since 1978

US durable goods orders rise 13.9%

By Michael Prowse in Washington

New orders for US durable goods rose by 1.4 per cent last month and by 13.9 per cent in the year to December, underlining the vitality of the economic expansion, the Commerce Department reported yesterday.

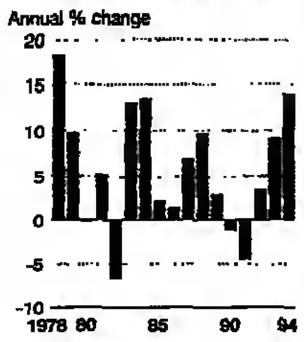
The figures – the largest annual increase since 1978 – follow many signs of robust growth including a sharp rise in employment and output at the end of last year.

Many economists, however, are confidently predicting a deceleration in economic growth this year from the 4 per cent annual rate registered last year, reflecting the Federal Reserve's policy of curbing demand by gradually increasing short-term interest rates.

A seventh increase in short-term rates to 6 per cent is widely expected next week.

Testifying before Congress yesterday, Mr Robert Reischauer, director of the non-partisan Congressional Budget Office, predicted that growth would slow to 2.5 per cent this year and 1.9 per cent in 1996. Consumer price inflation was likely to rise to 3.2 per cent this year and 3.4 per cent in 1996, against 2.7 last year.

US durable goods orders



Source: Datastream

Most Wall Street economists are also predicting slower growth, although there is no agreement on how quickly the economy will decelerate.

Analysts said that the overall buoyancy of orders last month largely reflected the strength of orders in the volatile transport sector. Excluding transport orders rose 0.1 per cent; excluding defence industries, they fell 0.6 per cent.

Orders for capital goods, excluding aircraft – a rough guide to civilian investment intentions – fell 0.4 per cent last month, but rose 6.3 per cent in the year to December.

House balks at toughest budget medicine

By Jurek Martin in Washington

The US House of Representatives yesterday morning refused to give the necessary two-thirds majority to the toughest version of the proposed constitutional amendment to balance the budget by the year 2002.

In the first of six planned votes, probably stretching into today, the House supported the amendment sponsored by Congressman Joe Barton, a Texas Republican, by 253 votes to 173, appreciably short of the required 290.

The Barton proposal would not only have written into the constitution a prohibition on deficit spending, but would mandate a 60 per cent vote in favour of any tax increases.

It had been supported by Congressmen Newt Gingrich, the Speaker, and Mr Dick Armey, the majority leader.

Under the rules adopted by the Republican leadership, the version of the amendment that wins the most votes will again be submitted to the chamber for final approval.

Mr Barton had said prior to the morning vote that his amendment needed the support of a minimum of 260 members on the first round to be "viable".

It has appeared over the past 10 days that greater support exists for an amendment also banning deficit spending and the raising of the federal debt ceiling, but requiring only a simple majority to increase taxes.

This has been sponsored by Congressmen Charles Stenholm, the Democrat from Texas, and Mr Dan Schaefer, the Republican from Colorado.

Both Mr Gingrich and Mr Armey, who are anxious that the House should approve a version which could then be considered by the Senate, have implied they can "live with" the less stringent approach.

But there is some risk that diehard supporters of the Barton amendment will vote against the bipartisan alternative in order to deny it the most votes in the first round.

Senator Robert Dole, presiding over a 53-47 Republican majority, has openly doubted that any amendment with a "supermajority" clause had a chance of gaining the required 67 votes in the Senate. Even without it, the prospects of approval of a constitutional amendment are considered no better than 50-50.

President Bill Clinton has no authority to veto a constitutional amendment if it passes both houses and is then approved by three quarters, or 38, of the 50 states.

In his State of the Union address on Tuesday, the president proclaimed his belief in the principle of a balanced budget, but he urged the Republicans to be "straight with the American people" about the consequences of the constitutional amendment route and said he would fight against any attempt to balance the federal books by cutting social security.

However, several members of his cabinet have gone into bat against it. On Wednesday, Mr William Perry, the secretary of defence, testified to the potentially dire consequences for US military capabilities if an amendment were approved.

Political parties hear government ideas on constitutional change

Brazil opens reform negotiations

By Angus Foster in Sao Paulo

Brazil's new government yesterday started negotiations with Congress over a wide range of constitutional reforms which many analysts believe are crucial to modernise the state.

Many of the reforms, which the government hopes will lower the barriers to foreign investment and introduce big fiscal changes, are controversial and discussions may last several months.

Ministers for President Fernando Henrique Cardoso, who took office on January 1, met the Democratic Movement (PMDB), the country's biggest political party, to outline the government's ideas and seek suggestions. They will see other parties in Mr Cardoso's coalition over the next week.

The government hopes to present formal proposals by the middle of next month, when a new Congress will have taken office.

Highlighting several reforms the government considers vital, Mr José Serra, planning minister, said the legal distinction between Brazilian and foreign-controlled companies should be abolished. Companies under majority foreign control should also be allowed to invest in the energy and mining sectors. Under present rules, foreigners can only invest in hydroelectric and mining projects as minority partners.

The government also wanted to make more "flexible" its monopoly on oil exploration and refining and its policies which prevent competition in telecommunications.

PMDB politicians reacted cautiously, and analysts said that until details were released next month, it would be difficult to assess the government's likely backing within Congress.

The debate about constitutional change has been under way for more than a year and stems from the country's 1988 constitution, promulgated soon after the military leaders stepped down and democracy returned. The constitution was praised for its attention to human rights and social welfare, but is now widely regarded as having sections which act as a severe brake on the economy.

The main document, which includes 245 articles and stretches over 108 pages, includes unusual items such as rules on the tax system, family matters and even an upper limit of 12 per cent on real interest rates.

An attempt in 1993/1994 to overhaul the document failed because of political opposition to many of the reforms, nearly all of which involve upsetting powerful interest groups. For example, the precarious finances of the social security system can only be repaired by repealing some of the generous retirement provisions guaranteed by the constitution.

Mr Cardoso needs three-fifths of the 594 votes in Congress for the reforms to be approved. Although his coalition has that support in theory, party loyalty is weak in Brazil and many reforms are likely to be fiercely criticised. Leftwing and union groups are already mobilising against the proposed changes.

AMERICAN NEWS DIGEST

Three agencies spared the axe

The US aid, information and arms control agencies are expected to survive as separate entities after Vice president Al Gore decided that merging them into the State Department would cause too much disruption to US foreign policy. Mr Gore, who heads the Clinton administration's efforts to "reinvent government" by eliminating redundant bureaucratic layers, had been considering proposals to consolidate them.

Some overlapping functions of the agencies, however, are expected to be combined when the final decision is announced today. The arms control and disarmament agency has been singled out as an outmoded agency whose functions could well be carried out by the Pentagon and the State Department in tandem. But its abolition this year was thought to risk disrupting critical negotiations on the extension of the nuclear non-proliferation treaty and a comprehensive nuclear test ban treaty. *George Graham, Washington*

Salvador occupation ends

The occupation of government buildings by El Salvador's aggrieved former soldiers and militiamen has ended after the government agreed to meet their demands.

Protesters abandoned their positions and released hostages, including 13 members of congress, on Wednesday night, after paralysing public administration and blocking main roads in the city for 36 hours. Mr Mauricio Cornejo, who led negotiations with the government, said the deal includes promises of land, credit, training, and housing for some 5,000 former combatants who fought on the government's side against leftwing guerrillas in a civil war which ended three years ago. The agreement, reached after mediation from the UN peacekeeping mission in El Salvador, should be fully implemented within two months, said Mr Cornejo. *Edward Orlebar, San Salvador.*

Clinton steps into baseball row

President Bill Clinton yesterday asked a mediator to make a last effort to get baseball owners and players back to the bargaining table, warning that the government might put forward its own plan to settle the five-month strike over pay that killed the 1994 professional baseball season and threatens to do the same for 1995. "It's time to play ball," he said. *George Graham, Washington*

Conservatives ready for shoot-out on gun control

By Jurek Martin in Washington

Conservative congressmen from both parties appear increasingly willing to try to repeal the gun control legislation of the past two years, thus setting themselves on a clear confrontation course with both President Bill Clinton and the weight of US public opinion.

Mr Newt Gingrich, the Speaker, gave a guarded green light to what he called an "inevitable" initiative. Mr Clinton strongly implied in his State of the Union address on Tuesday night that he would veto any repeal, but Mr Gingrich said it was "very unlikely" that the Republican leadership would "stop such a bill from moving through the House".

The New York Times reported yesterday that more than two dozen Democrats were ready to join a rolling Republican bandwagon, with the National Rifle Association heavily involved in the planning, which seeks to overturn last year's ban on the sale of 19 types of semi-automatic weapons.

Also on the target list for repeal is a handgun control bill passed in 1993 and named after Mr James Brady, the White House press secretary seriously wounded in the assassination attempt on President Ronald Reagan in 1981.

The legislative strategy has not yet been determined, but a likely course is to amend last year's crime bill, a popular Republican cause and shortly due for consideration by the House judiciary committee.

Even if repeal passes the House, it is far from clear that the Senate would go along. Even if it does, the two thirds majorities needed to override a presidential veto will not be easily obtained.

In his speech on Tuesday, Mr Clinton defended the right of hunters to own guns for legitimate sporting purposes and sympathised with those in the last Congress who had lost their seats by voting in favour of gun control "so that police officers and kids wouldn't have to lay down their lives under a hail of assault weapon attack".

Many observers, especially Democrats, believe the issue plays into the president's hands.

The New York Times quoted one Democratic aide as saying: "This is a headache for Newt. It's not his message and he knows repealing this is a political loser."

He added, acidly: "When Bill Clinton is willing to take a stand on something, you know it's safe."

PUBLIC NOTICES

INSURANCE COMPANIES ACT 1982

THE DOMINION INSURANCE COMPANY LIMITED

TRANSFER OF GENERAL BUSINESS

1. NOTICE IS HEREBY GIVEN that The Dominion Insurance Company Limited ("Dominion") applied to the Secretary of State for Trade & Industry on 20 January 1995 for his approval, pursuant to Part II of Schedule 2C to the Insurance Companies Act 1982, to transfer to Axa Insurance Company Limited all of its rights and obligations under

a) the property, liability (i.e. public and employers liability) and personal accident UK provincial commercial lines insurance policies

b) the property, liability (i.e. public and employers liability) personal accident and contingency business London Market account insurance policies

written by Dominion with inception dates between 1 December 1994 and 31 December 1994.

2. Copies of the Statement of Particulars of the proposed transfer are available for inspection at the offices of Dominion at 52 Leadenhall Street, London EC3A 2AQ between 9.00am and 5.00pm on Monday to Friday until 27 February 1995.

3. Written representations concerning the transfer may be sent to the Secretary of State for Trade and Industry, Department of Trade and Industry Insurance Division, 10-18 Victoria Street, London SW1H 0NN before 29 March 1995. The Secretary of State will not determine the transfer until after considering any representations made to him before that date.

INSURANCE COMPANIES ACT 1982

THE DOMINION INSURANCE COMPANY LIMITED

TRANSFER OF GENERAL BUSINESS

1. NOTICE IS HEREBY GIVEN that The Dominion Insurance Company Limited ("Dominion") applied to the Secretary of State for Trade & Industry on 16 January 1995 for his approval, pursuant to Part II of Schedule 2C to the Insurance Companies Act 1982, to transfer to Equity Red Star Lloyd's Syndicate 218 all of its rights and obligations under the UK motor (including commercial lines and fleet and personal lines) and UK personal lines personal accident, household and caravan insurance policies written by Dominion with inception dates between 1 November 1994 and 31 December 1994.

2. Copies of the Statement of Particulars of the proposed transfer are available for inspection at the offices of Dominion at 52 Leadenhall Street, London EC3A 2AQ between 9.00am and 5.00pm on Monday to Friday until 27 February 1995.

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مكتبة عند الأصل

NEWS: ASIA-PACIFIC

Downer resigns as Australian Liberal opposition leader

By Nikki Tait in Sydney

The fluid and harsh world of Canberra politics claimed another victim yesterday when Mr Alexander Downer quit as leader of Australia's federal coalition opposition.

His decision to stand down after only eight months, and in tha wake of many weeks of destabilising rumours and poor opinion poll showings, clears the way for a party-room ballot on Monday. This is likely to see Mr John Howard, a Liberal party veteran who held the leadership job between 1985 and 1989, take over.

"At that party meeting, John Howard will almost certainly be elected as leader of the Liberal party, and that is clearly the wisb of the party," Mr Downer predicted as he announced his departure in Adelaide.

This is the second leadership spill in less than a year for the opposition, a coalition of the Liberal and National parties. In May, after a similar wave of destabilising gossip and media speculation, Mr John Hewson, the former International Monetary Fund economist who failed to snatch victory for the opposition in the 1993 election, gave way to Mr Downer.

Mr Downer's brief hold on the job can be attributed partly to Australia's short parliamentary terms, partly to the rumour-fed nature of the Canberra media, and partly to some self-inflicted wounds which called into question Mr Downer's political acumen.

Little known to the public at large when he took on the leadership, Mr Downer initially enjoyed a political honeymoon. His more modern approach and sense of humour neutralised attempts by Mr Paul Keating, Australia's sharp-tongued prime minister, to ridicule a privileged South Australian upbringing.

John Howard (right) with the press yesterday after Alexander Downer (left) had stepped down *Reuter*

Bnt some much-publicised gaffes by Mr Downer soon dispelled the goodwill. Hs was demonstrahly confused over party policy on Aboriginal land rights. He delivered an ill-timed joke, borrowed from the Canberra press gallery, about his party's key policy document, called "The Things that Matter". In a series of puns on the name, he suggested that women's groups could call it "The Things that Batter". The joke fell flat.

The standing of the Liberal party did not appear so heavily affected, but, since Australia works on three-year terms, a federal election is expected either this year or early in 1996.

Pressure to resolve the leadership mounted. Even Downer supporters admitted that, if there were question marks over his political know-how, a change would better be effected now.

The return of Mr Howard, the only serious alternative, means the opposition swings to the right, and takes on some past baggage in return for a more guaranteed political performance, although Mr Howard has recently attempted to moderate some of his more contentious views, such as those on Asian immigration.

The likely leader entered federal politics in 1974, aged 35, when he won the Sydney seat of Bennelong. He was a minister in the first Fraser government in the mid-1970s, becoming treasurer (finance minister) in 1977. In 1985, he took over the opposition leadership from Mr Andrew Peacock after a fight, but subsequently lost the 1987 election. Mr Peacock, wbo recently bowed out of federal politics, then ousted Mr Howard at the second attempt in 1989.

In 1993, Mr Howard tried to regain the leadership but lost to Mr Hewson.

He did not make a cballenge when Mr Hewson was ousted last year, and six months ago declared be had given up all aspirations to the top joh.

Mr Peter Costello, the relatively youthful Victorian politician who acted as Mr Downer's deputy and spokesman on economic matters, is likely to retain his position, despite some suggestions yesterday that at least one candidate might run against him.

There were strong suggestions yesterday tbat Mr Downer would take the foreign affairs portfolio, at present held by Mr Peter Reith, and remain in the shadow cabinet.

It is less than clear how the Australian electorate will view the latest manoeuvres in this seemingly endless sequence of comings and goings within the upper ranks of the Liberal party. But one ABC radio programme may have gauged the mood when it interlaced a feature on the Downer departure yesterday with the song Follow the Leader, from Walt Disney's Peter Pan.

Japanese seek guidance on handling a crisis

By William Dawkins in Tokyo

Japan will send a team to the US, Britain and Germany to study official crisis management, in an attempt to improve its own procedures, criticised for being slow to respond to last week's Kobe earthquake.

Prime Minister Tomiichi Murayama told parliament the government needed a single cabinet-level body to handle disasters. The government has admitted the Kobe rescue operation was delayed hy bureaucratic confusion.

Mr Murayama envisaged a central unit, such as the US Federal Emergency Management Agency, which was called into action 15 minutes after the Los Angeles quake struck last January.

The inquiry mission will depart in April and make suggestions for a crisis plan, for completion possibly by July, in which the prime minister's office would he the head of operations, officials said.

The present crisis management system depends, like other Japanese government functions, on unwritten rules of communication between different-government ministries and local authorities.

This works well for long-term consensus huilding hut is clearly ill-suited for snap reactions to crises.

Separately, Mr Murayama said the government was considering establishing a central agency to speed the reconstruction of Kobe. "We need to consider an organisation that enables the cabinet to handle the disaster as one body, not by each ministry," said Mr Murayama.

He also launched a review of earthquake preparations in Tokyo, thought by seismologists to be overdue for an earthquake of destructive force similar to the one that killed more than 5,000 people in Kobe.

Mr Koken Nosaka, construction minister, said the government was considering tightening the building standards act, to cope with the weaknesses in building codes exposed by the collapse and damage to supposedly quake-proof expressways and rail tracks.

The government's speed in admitting shortcomings in the Kobe rescue has for the time being relieved political pressure on Mr Murayama.

Officials of the New Frontier party, the main opposition group, said yesterday the party would not for the time being call for Mr Murayama's resignation, contrary to tbe demands of 11 NFP members earlier this week.

Criticism has centred on initial dilatoriness in accepting foreign aid and a four-hour delay, after news of the first shock arrived in Tokyo, in sending the military to Kobe.

Live television was the prime minister's main source of information, because of the collapse of the telephone network in the immediate aftermath of the quake, officials said.

As a result, the Ministry of Posts and Telecommunications yesterday advised the government to install satellite communications, the most earthquake-proof method of sending messages, for its disaster network.

The first official, though partial, estimates of the cost of clean-up and repairs started to emerge yesterday. Nippon Telephone and Telegraph, the main domestic telecommunications operator, reckons it will cost more than Y50bn ($500m) to repair Kobe's telephone system. Mr Masashi Kojima, NTT president, said the 76,000 lines damaged in the quake will be nsahle hy the end of the month, though full repairs will take longer.

The Health and Welfare Ministry reckons it will cost Y100hn to clear the 1.1bn tonnes of ruhhle left by the quake.

Foreign companies confident in Kobe

By Gerard Baker in Kobe

The dozens of foreign companies with operations in the Kobe area yesterday expressed confidence that the damage they suffered in last week's earthquake will prove limited.

Many leading companies have been forced to halt husiness temporarily, but expect no long-term disruption.

Kobe has long been a magnet for foreigners and foreign companies in Japan. As early as the fourth century AD, its natural harbour was seen as an ideal place for merchants and traders to transact business overseas.

It has always enjoyed a reputation as one of Japan's more cosmopolitan cities. More than 40,000 of the population of 1.5m are foreigners, many of them expatriates with large US and European companies, some of whom have their Japanese headquarters in the city.

Among the most seriously displaced is the US consumer products maker Procter and Gamble. Less than two years ago the company opened a 30-storey headquarters for its Japanese operations on the man-made Rokko Island in Osaka Bay.

In spite of early fears after last Tuesday's earthquake that the structure of the Y30bn ($300m) building had been damaged, it appears to have survived intact.

Interior fittings were, however, badly damaged and the 1,200 employees, including 150 foreigners, who worked there have been relocated, most of them hy boat, as other transport connections to the island were cut.

P&G offered some the chance to move temporarily with their families to Hong Kong; some 170 accepted and left last Friday. The remaining employees have been moved elsewhere in Japan. P&G will announce today the location of a temporary headquarters in nearhy Osaka.

Production of paper goods at the company's manufacturing plant in Akashi, just outside Kobe, was suspended while the building was inspected for damage.

But a spokesman said tbe problems were minor and the company hoped to restart prodnction in two weeks.

Another company with manufacturing at Akashi is Shin Caterpillar-Mitsubishi, a joint venture between the US construction equipment maker and the Japanese heavy industrial company.

The plant produces 1,000 oil pressure gauges a month, hut after last week's damage, expects a short-term loss of output.

The factory was closed for three days after the quake but reopened this week. Output this month is forecast to reach 80 per cent of normal.

The company's 1,000 employees, including 19 US citizens, were all accounted for, though many had lost their homes and been forced to live in temporary accommodation.

Damage to the headquarters of Nestlé, the Swiss consumer products manufacturer, forced tbe company to relocate employees to Osaka and Tokyo. Nestlé leases part of the building and so will not incur a significant financial loss, hut disruption to operations is inevitable.

Other foreign enterprises in the region include Maersk Line, the Danisb shipping company, which reported substantial damage to its port facilities, and the UK's ICI, whose operations appeared to be undamaged.

Businesses outside the Kobe area expect some dislocation from the disruption of supplies, hut are otherwise expected to function as normal.

ASIA-PACIFIC NEWS DIGEST

Hanoi restates Paracels claim

Vietnam restated its claim to the disputed Paracel and Spratly islands in the South China Sea in response to a claim by China that it had found new islets in the Paracels. China occupied the Paracels, south of China's Hainan island and east of the central Vietnamese port of Danang, in 1974, driving out forces of the US-backed Saigon regime which was ousted by communist armies the following year.

The Xinhua news agency reported on Wednesday that experts from Hainan had found three uncharted islets within the waters of the chain. Responding to the report, Vietnam's foreign ministry said the Paracels and the Spratlys, which lie further south, were part of Vietnamese territory. "Any foreign activity in this area, of any type, which is not agreed by the Vietnamese government is violating the sovereignty of Vietnam," a ministry official said. The Paracels are claimed by Taiwan as well as China and Vietnam. Ths three countries are among six claimants to the potentially oil-rich Spratlys, along with Brunei, Malaysia and the Philippines. *Reuter, Hanoi*

US and Vietnam to resume ties

The US and Vietnam plan tomorrow to sign an agreement allowing them to establish diplomatic relations. The two former enemies will open liaison offices in one another's capitals almost immediately after the signing, a US official said yesterday. The agreement to be signed in Hanoi settles questions about compensation for diplomatic properties seized at the end of the Vietnam War in 1975. Under the accord, Vietnam will return or compensate for 36 US properties, including the former American embassy building in Saigon, renamed Ho Chi Minh City. The US will turn over the former South Vietnamese embassy in Washington. The agreement, once signed, will represent de facto diplomatic recognition. The US liaison office will handle consular, political and commercial functions and will probably serve as a transitional step toward the eventual exchange of ambassadors. *AP, Hanoi*

Japanese coal mine to close

Japan's ailing coal industry took a step closer to extinction yesterday when one of the country's four remaining mines announced its imminent closure. Sorachi mine, which employs 700 people near a formerly flourishing coal town in the northern island of Hokkaido, is to close in March, under the burden of its Y35bn ($353m) debts. Jobs have been found for 425 workers in a nearby opencast mine, while the remainder are to be offered retirement pay. The move is in line with a government plan for the orderly demise of Japan's high cost coal industry. It nevertheless provoked a protest from the Social Democratic party, second largest member of the government coalition, which said not enough new jobs had been found for the dismissed workers. *William Dawkins, Tokyo*

■ China attracted actual foreign investment of $33.8bn in 1994, up from $27bn in 1993, according to an official of the Ministry of Foreign Trade and Economic Relations. *Reuter, Beijing*

■ Japan will conditionally resume overseas investment insurance coverage in Burma (Myanmar) for the first time in seven years, trade ministry officials said. *Kyodo, Tokyo*

■ Nine flight attendants hired on contract by Japan Airlines boarded a flight from Tokyo to Sapporo in northern Japan yesterday. the lossmaking JAL's first domestic cabin crew not to enjoy lifetima employment privileges. *Our Foreign Staff*

■ Sri Lanka raised petrol prices by almost 15 per cent, triggering a chain reaction of price rises ahead of next month's budget. *AFP, Colombo*

Department stores see sales fall

By Emiko Terazono in Tokyo

Department stores in Tokyo reported a 5 to 10 per cent fall in sales in the week since the Kobe earthquake, while a leading retailer in Fukuoka, on the southern island of Kyusbn, saw a 15 per cent fall in the number of shoppers and a 10 per cent decline in sales.

"A lot of people remained inside to watch reports of the damage on television, while others refrained from buying unnecessary goods out of sympatby," said Mr Jim Vestal, economist at Barclays de Zoete Wedd.

While the effects are expected to be confined to the first qnarter, tbe damage to the consumer psyche could hnrt the year's retail earnings, since many stores close their books at the end of February.

Municipal and central government anthorities meanwhile have moved to prevent a rise in food and consnmer goods prices. Complaints have surged over the past few days that prices of items such as dry-cell batteries, food and plastic sheets are three times their former levels.

'Quake-proof' doubts raised

Steel supports inside 21 modern apartment blocks in Kobe were damaged by the quake, according to Takenaka, the Osaka contractor that designed and built them, writes William Dawkins in Tokyo. This is the first such damage recorded in any modern earthquake and questions assumptions that bigh-rise modern huildings are earthquake proof, civil engineers in Kobe said yesterday. The apartments, built in 1979, are between 40 and 70 metres tall and all conform with tough Japanese construction codes for high-rise huildings.

Takenaka design managers said tbe partly evacuated huildings could still withstand after-sbocks of up to 5 on the Japanese scale, compared with the 7 registered by the Kobe earthquake at its worst. They are to be repaired, rather than demolished.

NEWS: WORLD TRADE

US-EU talks to focus on WTO

By Frances Williams in Geneva

The continuing stalemate in the contest for leadership of the World Trade Organisation is expected to be high on the agenda of weekend talks in Washington between the US and the European Union.

With three weeks to go before the mid-February deadline for selecting a successor to Mr Peter Sutherland, interim WTO director-general, trade officials in Geneva said there was no sign of progress in securing a consensus on any of the three official candidates.

Though Mr Renato Ruggiero, the EU candidate, has a majority of countries in his favour, Mr Carlos Salinas de Gortari, the former Mexican president, has the whole of North and South America, including the US, firmly behind him; Mr Kim Chul-su of South Korea is supported by Japan and most other Asian nations.

Trade diplomats say only a deal between Washington and Brussels can break the deadlock, failing which WTO members will have to look for new candidates. Two New Zealanders, Mr Philip Burdon, trade minister, and Mr Mike Moore, former prime minister, have been mentioned.

In a letter to the Financial Times published today, a group of eminent economists, including three Nobel laureates, urge WTO members to look away from politicians and trade negotiators towards a well known advocate of free trade, Professor Jagdish Bhagwati of New York's Columbia University.

Prof Bhagwati was economic policy adviser to Mr Arthur Dunkel, then head of the General Agreement on Tariffs and Trade. But some trade officials in Geneva thought Prof Bhagwati, though "brilliant", lacked the necessary managerial and diplomatic skills for an effective WTO head.

See Letter, Page 16

China pledges settlement of $160m satellite claim

By Ralph Atkins in London and Tony Walker

A Chinese state insurance company said yesterday it would settle a $160m insurance claim on the failed Apstar 2 satellite launch within 60 days. However, the impact on the world's satellite insurers is likely to last much longer.

The Pacific Insurance Corporation said much of the risk had been spread across the world satellite insurance market, still to recover from big losses incurred over the past year. Failure of the Long March rocket, believed to be China's most costly satellite disaster, will almost certainly mean higher premiums for launches not yet insured, including the next launch originally set for this summer.

> The failure of yesterday's launch will mean higher premiums for those not yet insured

Munich Re, the world's largest reinsurance company, said it expected to have to pay up to $40m because of the latest incident, though it did not give specific figures.

Lloyd's of London's share is about $45m but satellite underwriters would in turn have passed on some of the risk to others.

Sharing the burden are underwriters elsewhere in Europe and in Bermuda, which has grown rapidly as a reinsurance centre in recent years.

The total premium paid on the Apstar 2 launch, which also covered the first year in orbit, is understood to have been about $30m.

In 1994, world losses from satellite launches reached $770m, far in excess of premiums collected.

Mr Simon Clapham, lead satellite underwriter at Lloyd's, said: "We do need to increase the rates and we will."

The latest setback does not mean 1995 will prove unprofitable.

With premium income expected to reach about $750m, underwriters reckon they can pay claims totalling $600m and still make significant profits, including investment income.

The Pacific Insurance Corporation has sent experts to investigate the disaster and will initiate talks with the satellite's owner, the Hong Kong-based APT satellite company.

This is the second time the company has insured a satellite launch.

It provided cover last year for the successful launch of Apstar 1.

CHINA'S SATELLITE LAUNCH RECORD 1990-95*

Date	Type	Result
April 1990	AsiaSat Telecommunications	Successful
March 1992	Australia's Optus B Communications	Failed on launch pad at first attempt but later launched successfully
December 1992	Optus B	Lost in space after explosion on launch vehicle
April 1994	Weather satellite	Explosion on launch pad destroyed satellite and orbiter
July-Aug 1994	Optus B3 Apstar1	Successful
November 1994	Dongfanghong	Lost in space
Jan 1995	Apstar 2	Destroyed in launch vehicle explosion 45 seconds after lift-off

* China has launched nearly 50 satellites since its programme began in the 1970s. Seven of these launches have moved foreign satellites.

Alcatel wins $500m US digital satellite contract

By David Buchan in Paris

Alcatel Espace, the French space telecommunications group, yesterday said it had won a $500m (£312m) contract to supply WorldSpace of the US with three digital radio-broadcasting satellites for millions of listeners in Asia, Africa and the Caribbean.

Alcatel will lead a consortium that for the moment only includes Alenia of Italy but may be extended to its usual partners, Aérospatiale and Daimler-Benz Aerospace.

The Alcatel consortium will be responsible for building, launching and insuring the satellites for WorldSpace, a private company holding tha only US licence for portable satellite service and which will be responsible for programming, marketing and regulatory issues.

In return, Alcatel said the consortium would make a "major investment" in WorldSpace.

The three "digital audio broadcast" (DAB) satellites, Caribstar, Afristar and Asiastar, are to be in geostationary orbit over Asia, Africa and the Caribbean by 1998, beaming programmes to those regions with a new generation of radio called StarMan. These portable receivers are being developed by Motorola of the US, with a satellite antenna as small as a business card.

Alcatel, involved in the Globalstar digital telephony project, yesterday claimed the DAB service would be the most significant advance since the advent of shortwave radio.

Mr Noah Samara, WorldSpace's chief executive, said that his company was focusing on developing countries where radio rather than television or newspapers was still the dominant medium.

In the US or Europe radio stations had an average audience of 30,000, but the average in developing countries was 2m-3m. Satellite radio could cover difficult terrain better than shortwave radio, as well as providing the quality of today's FM stereo, WorldSpace officials claimed.

However they still had to receive operating licences from the countries their service was intended to cover.

Isuzu to join rivals in Thai vehicle parts deal

By William Barnes in Bangkok

Isuzu, the Japanese vehicle maker, will join a co-operative production arrangement with rivals Nissan and Toyota in Thailand to produce exchangeable vehicle parts to achieve economies of scale and help the three companies meet local content requirements.

Isuzu said it would invest $160m in a new diesel engine parts factory and the expansion of its existing small truck assembly plant, underlining Thailand's development as a base for manufacture and export of Japanese pick-up trucks.

Isuzu is expected to make about 300,000 sets of connecting rods and crankshafts, Nissan is likely to produce camshafts and cylinder heads, while Toyota will turn out engine blocks after a combined investment of approximately Bt7bn ($280m).

"This is the first time these three companies have worked for a single pool. They are under increasing pressure to cut costs, especially after the appreciation of the yen," said Mr Michael Dunne, the president of consultants Automotive Resources Asia, in Bangkok.

Mr Hiroshi Sato, president of the Tripetch Isuzu Company, said the new factory was necessary to bring the locally manufactured content of its diesel engines up from 60 to 70 per cent by the middle of 1996 if Isuzu is to keep its Board of Investment tax privileges.

Mr Sato said that their principal partner, the Tokyo Drop Forging company, would start building the Bt1.5bn facility on the eastern seaboard, even though negotiations with other potential partners were not yet finished.

As well as expanding its pickup and truck assembly plant Isuzu will import completely-knocked-down passenger cars for the first time in 1996. Mr Dunne said the production sharing arrangement would bring down the cost of sourcing the more difficult-to-make parts locally, which have risen as the local content requirement has increased.

"The higher local content requirements are tough for existing manufacturers but there is a bonus: they are a formidable barrier to entry for new players," he said.

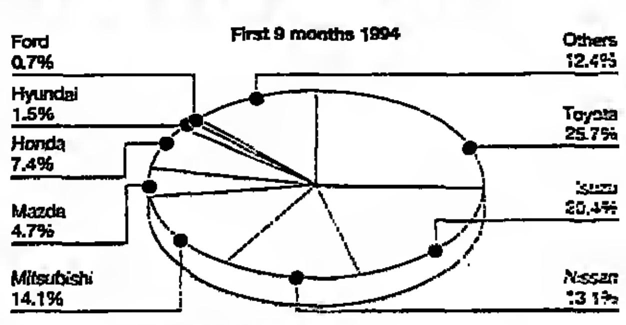
Although Bangkok's growing middle class crave luxury saloons, the pick-up remains the national car because the government charges no excise tax on pick-up purchases compared to the 35 per cent tax on passenger cars.

Isuzu sold 82,156, or 31.8 per cent, of the 258,091 pick-up trucks sold in Thailand last year; Toyota sold 29.8 per cent, and Nissan sold 19.3 per cent.

The number of pick-ups sold in 1994 actually rose 15 per cent compared with a 10.6 per cent slide in passenger car sales to 156,670, according to Automotive Resources Asia.

Mr Sato said Isuzu anticipates that by the year 2000, annual total vehicle sales in Thailand will have grown from 1974's total of 485,678 to between 850,000 and 1,000,000 vehicles.

Thai vehicle sales: market share



Source: Automotive Resources Asia

NEWS DIGEST

Foreign groups flock to E Europe

The number of foreign companies investing in central and eastern Europe has expanded rapidly in the past two years and foreign investment registrations in the region stood at 111,300 in mid-1994, compared with 98,200 in January 1994 and 68,900 in January 1993, according to the UN Economic Commission for Europe.

The CIS pushed up the number of "foreign investment enterprises" from 8,000 at the start of 1993 to over 19,000 in mid-1994, just over half of them in Russia. The value of committed foreign investment in the CIS was about $6.3bn at the beginning of 1994, the ECE estimates. *Frances Williams, Geneva*

Portugal exports

The Ford-Volkswagen joint project to build a minivan saloon at a factory near Lisbon is forecast to contribute up to 16 per cent of Portugal's exports next year. The factory, the largest industrial investment ever undertaken in Portugal, aims to produce 89,000 vehicles in 1995, rising to about 180,000 a year. *Reuter, Lisbon*

CONTRACTS

■ Fincantieri, Italian state-controlled shipbuilder, has won a L200bn ($125m) contract from Deiulemar of Naples for construction of three "Panamax" bulk-carriers. The order guarantees work until mid-1997 for the Fincantieri shipyard near Naples, already building three similar ships for Deiulemar. *Andrew Hill, Milan*

■ Bombardier, Canadian-based aerospace and transit equipment group, has sold two DASH-8-200 turboprop airliners to India's new Archana Airways. *Robert Gibbens, Montreal*

NEWS: INTERNATIONAL

Yemen claims Saudi build-up

By Mark Nicholson in Cairo

Yemen yesterday accused Saudi Arabia of renewing a military build-up on the countries' disputed border as talks continued in Riyadh aimed at defusing tensions which have flared into cross-border skirmishes in recent weeks.

An unnamed Yemeni official was quoted by Reuter saying the kingdom had been "rushing tanks, rocket launchers, armoured vehicles and infantry units towards the borders" while moving F-15 and F-16 aircraft to the Khamis Mushayt airbase about 50km north of the Yemeni border.

There was no official response from Saudi Arabia to the claims, which diplomats in Riyadh said they could not confirm. However, diplomats expressed "surprise" at the allegations given what they described as the "very positive noises" coming from Saudi and Yemeni negotiators who have been holding talks in the Saudi capital since Tuesday.

Tension on the Yemeni-Saudi border erupted into violence last month after Yemen claimed its northern neighbour had erected observation posts and built roads on disputed land. At least three clashes along the contested border have been reported in tha past six weeks, leaving as many as five Yemeni soldiers dead.

Saudi officials have claimed the reported clashes all followed Yemeni incursions into Saudi territory, while Yemen claimed its troops were responding to Saudi moves into territory claimed by Sana'a.

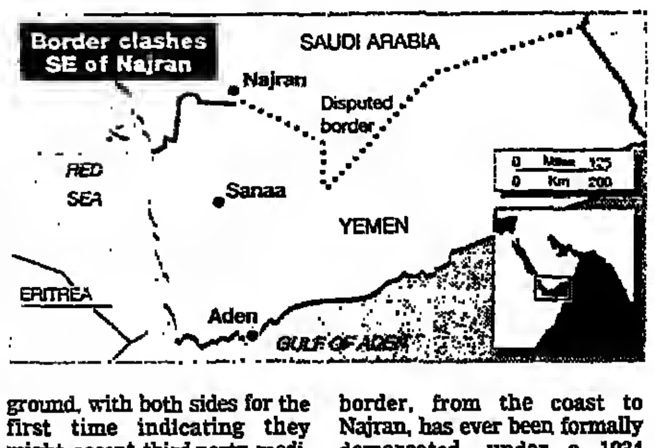
The clashes were the worst in some years along a border which has been in dispute for more than 60 years and between neighbours whose ever suspicious relations have soured considerably since the Gulf war. Saudi Arabia was angered by the pro-Iraqi attitude of President Ali Abdullah Saleh, the Yemeni leader during the Gulf conflict, and deported almost 1m Yemeni guest workers back to its more populous and poorer neighbour.

Relations worsened further during the Yemeni civil war last year, when Riyadh's support for the secessionist southern government, believed to have included direct military aid, angered Sana'a.

The latest Yemeni accusations come as Sheikh Abdullah bin Hussein al-Ahmar heads a delegation from Sana'a which arrived in Riyadh hoping to reach sufficient agreement with the Saudis to permit an eventual summit between King Fahd, the Saudi ruler, and Mr Saleh. The Yemeni president said last week he was ready for such a meeting if it were "well prepared" and pledged that Yemen "won't go to war, even if Saudi Arabia took the initiative".

Diplomats say the talks had begun to show common ground, with both sides for the first time indicating they might accept third-party mediation on defining the border. Yesterday, however, it was reported that a planned meeting between Sheikh al-Ahmar and Prince Sultan, the Saudi second deputy prime minister and minister of defence, was cancelled at the last minute.

Only a short stretch of the border, from the coast to Najran, has ever been formally demarcated, under a 1934 treaty which Yemen has twice renewed but never unequivocally ratified. The entire border east of Najran is disputed, ill-defined and, particularly in the area south east of Najran, reportedly the focus of tha recent troop deployments from both sides.



Jordan, PLO sign accord on Jerusalem

By Julian Ozanne in Jerusalem

Jordan and the Palestine Liberation Organisation signed a wide-ranging co-operation accord yesterday designed to settle a dispute over the future status of occupied Arab East Jerusalem and economic relations.

The agreement follows months of tension between Mr Yassir Arafat, the PLO chairman, and King Hussein of Jordan sparked by the Israeli-Jordanian agreement last year which gave the Jordanian king a special custodian role over the Islamic sites in East Jerusalem which the PLO claims as the capital of a future Palestinian state.

The preamble to yesterday's pact outlines a deal whereby the PLO agrees to Jordanian custodianship over Moslem sites in the interim, while Jordan pledges to hand over control to Palestinians if they win jurisdiction over the occupied half of the city from Israel.

The agreement has seven other sections that cover monetary and financial policy, trade, postal and communication links, transportation, education, culture and information and administrative measures such as security and border co-operation.

The most important economic agreement is for the Jordanian dinar to become the legal tender in self-ruled Palestinian territories in return for Palestinians joining the Jordanian central bank.

Jordan also agreed to open up a liaison office in self-ruled Gaza to strengthen relations.

The accords will help to boost both the Jordanian and the Palestinian economies by establishing firm relations and co-ordination and by creating a climate of stability for investors.

On the issue of Jerusalem the agreement also brings Jordan into line with other Arab states which have backed the PLO's claims to future sovereignty over the east of the city.

But PLO-Jordanian reconciliation masks a dramatic downturn in Palestinian-Israeli relations and in hopes for peace between Arabs and Jews.

The PLO said Israel's decision on Wednesday to expand Jewish settlements in the occupied West Bank violated a promise made by Israeli prime minister Yitzhak Rabin to Mr Arafat last week at a summit at the Erez border crossing between Israel and Gaza.

Jewish settlers, seeking to exploit government ambiguity over settlement policy, bulldozed roads, planted trees and placed an Israeli flag on a hillside in the West Bank in an effort to expand their settlement of Kochav Yaacov, north of Jerusalem.

"Tha struggle today is over the land and the expansion of settlements," said Mr Aharon Domb, one of the leaders of the 140,000 West Bank settlers.

"We continue to bulldoze roads on the land destined for settlements so that when this sinister government falls there will be enough land to expand the settlements."

Pragmatism rules in Tehran over Chechnya

Iran is keen to maintain good relations with Russia, says **Gillian Tett**

Mr Abbas Maleki, Iran's urbane deputy foreign minister, is not a man easily embarrassed. But when a visiting Chechen academic in Tehran appealed earlier this week for a statement condemning the Russian attack on Grozny, even he was left uneasy.

"The war is tragic - it must be solved by peaceful means," Mr Maleki mumbled to the crowd of assembled diplomats - before quickly switching to a less sensitive subject.

Mr Maleki's response, at an Iranian sponsored seminar on central Asia, disappointed the Chechens. But it highlights a mood of pragmatism that is shaping Iran's relations with its northern neighbours.

In spite of western speculation that the war in Grozny will undermine Russia's standing in the Moslem world, the battle has provoked little official anti-Russian protest from Tehran. Irrespective of Iran's claims that it will uphold the cause of central Asia's Moslems, Iranian diplomats appear determined to strengthen their relations with Russia.

One reason for this shift is that Iran is facing serious domestic economic problems and it is keen to maintain trading ties with Russia, leading to a new mood of pragmatism about central Asia. In spite of initial hopes it could serve as an Islamic model for the region, Iran increasingly recognises it can do little to solve the region's economic problems on its own.

Another reason for Iran's pragmatism lies in its determination to retain a stake in the development of the rich oil and gas reserves in central Asia and the Caucasus. As Turkey, Iran and Russia continue to wrangle over the future route of any oil and gas pipelines, Iranian officials increasingly recognise that their national interests may be better served by publicly emphasising co-operation, rather than confrontation, with Russia.

"These central Asian countries are still the backyard of Russia - to imagine that these countrias will separate economically from Russia is not realistic. We and the central Asian countries need to cooperate with Russia," Mr Akbar-Torkan, Iran's transport minister, declared last week.

Although the Iranian media has given extensive coverage to the bloody events, the main focus for official anger has not been Russia - but the West.

Iranian officials have condemned the US and "Zionist interests" for their failure to criticise the Russian attack but insisted that the matter remains Russia's internal problem.

"The Chechen are Moslem, so they are our brothers. But Chechenya is part of Russia and we do not want it to harm our relations with Russia," one senior foreign ministry official says.

But the real test of Russian-Iranian relations is more likely to be the region's oil and gas reserves.

Late last year, Iran achieved something of a diplomatic coup when it persuaded the Azerbaijani government to give it a 5 per cent stake in the $7.4bn international consortium which includes BP, Russia's Lukoil and US companies, to develop its oil fields in the Caspian Sea.

The agreement created consternation in the Russian foreign ministry because of fears that Iran and other states of the Caspian Sea would conclude a pipeline deal to carry oil through Iran and outside Russia's control. At present most of the oil from Azerbaijan and Kazakhstan is piped out through Russia, via Grozny, and Russian officials are keen to ensure that any additional route should also pass through Russia, rather than the Caocasus or Iran.

But, behind the scenes, Western and Russian diplomats increasingly acknowledge that it will be difficult to exclude Iran entirely from future oil and gas consortiums or pipeline agreements.

Iranian officials claim that the US company Chevron, which has development rights for the Tengiz oil field in Kazakhstan, has recently started discussions with them about the possibility of a pipeline through Iran to the Gulf. Although Kazakhstan, Russia and Oman announced last week that they were starting to construct a pipeline to export oil from Tengiz from Russika, Chevron's involvement in the project remains uncertain. Russian oil officials are due to visit Tehran soon to discuss cooperation over the Caspian deal and other projects.

Few expect these tentative contacts to yield any concrete agreements in the short term, not least because the Iranian government is weakened by splits between different political factions.

But economic self-interest seems set to shape the crucial Iranian-Russian axis in the region - irrespective of the Moslem "jihad" Chechen fighters claim to be waging in Grozny.

World statesmen urge reform on UN and other global bodies

A sweeping reform of the United Nations and other global institutions is recommended in a report from a group of senior world statesmen published yesterday, wites Edward Mortimer.

The report, entitled "Our Global Neighbourhood*", was handed to Mr Boutros Boutros Ghali, the UN secretary-general, by the co-chairmen of the commission which drafted it - Swedish prime minister Ingvar Carlsson and former Commonwealth secretary-general Sir Shridath Ramphal. Other members of the 28-strong commission include Mr Jacques Delors, Mr Barber Conable (former president of the World Bank) and Mrs Sadako Ogata, UN High Commissioner for Refugees.

Among their recommendations is establishment of an "economic security council" charged with monitoring the overall state of the world economy, providing "a long-term strategic policy framework" and securing consistency between the policy goals of big international agencies, particularly the IMF and World Bank and the new World Trade Organisation.

The council would replace the existing UN Economic and Social Council (Ecosoc), which the authors say should be wound up, along with the UN Conference on Trade and Development and the UN Industrial Development Organisation. "The UN system must from time to time shut down institutions that can no longer be justified in objective terms," they write.

The Commission also urges a two-stage reform of the UN Security Council. In the first stage, a new class of five "standing members" would be established - two industrial countries (presumably Germany and Japan) and one from Africa, Asia and Latin America. Existing permanent members would agree not to use their veto "save in exceptional and overriding circumstances". Stage two would be a "full review of membership" and phasing out of the veto, "around 2005".

The report suggests an amendment to the UN Charter, permitting intervention in conflicts within states, but only in "cases that in the judgment of a reformed Security Council constitute a violation of the security of people so gross and extreme that it requires an international response on humanitarian grounds". Such intervention could be triggered by non-state actors exercising a "right of petition" to bring situations "massively endangering the security of people within states" to the Council's attention.

The Commission suggests the UN General Assembly should hold a "World Conference on Governance" in 1998, with decisions to be ratified and implemented by 2000; and calls on "international civil society", that is, non-governmental organisations, "the business sector, academia, the professions, and especially young people" to join in a drive for change.

* *Our Global Neighbourhood, published by Oxford University Press, £25hb, £9.99pb.*

[طبقاً عن الأصل]

NEWS: UK

PM wins backing on Euro-strategy

The British government yesterday decided that its proposals for next year's intergovernmental conference on the future of the European Union would all have the limited aim of "improving the functioning" of the EU, **Robert Peston, Political Editor, writes from Westminster.**

A meeting of the cabinet committee on defence and overseas policy – which in an unusual move was attended by the entire cabinet plus Mr David Davis, the minister for Europe – backed Mr John Major's recent commitment to veto any IGC proposals which could impinge on the sovereignty of the British parliament.

The two-hour meeting of the committee yesterday morning had been called to decide the mechanism for determining the brief for Mr Davis as the UK's representative on the EU study group, which will fix the IGC agenda.

A senior cabinet minister said there had been a lively debate, to which almost all ministers contributed.

"It was not two hours of arguments and rows," the minister stressed.

A decision was taken that the UK's detailed policy for the EU study group should be worked out by the cabinet committee's European sub-committee.

A Downing Street official said Mr Major "summed up" at the end of the meeting to give the sub-committee a "sense of direction".

In a move which reflects the sensitivity and importance of IGC policy, this sub-committee will have 18 members – compared with the seven ministers who normally attend meetings of the full committee.

The European sub-committee will be chaired by Mr Douglas Hurd, the foreign secretary. Though Mr Major's recent statements on the EU have been interpreted as indicating an increasing sympathy with the Conservative party's Eurosceptic wing, the European sub-committee will be dominated by ministers less hostile to the EU.

Only three leading Eurosceptics are on the sub-committee: Mr Michael Portillo, the employment secretary, Mr John Redwood, Welsh secretary, and Mr Michael Howard, home secretary.

The issue of European monetary union, on which the cabinet is split, was barely mentioned at yesterday's meeting, a senior Downing Street official said. Monetary union is likely to be raised by other member states at around the time of next year's IGC, but it cannot form part of the agenda of the conference itself.

The EU study group meets for the first time in June and is scheduled to table proposals for the conference to the EU Council of Ministers in December.

'Slow progress' in talks on Ulster

By David Owen and John Kampfner

Ulster Unionist party leader Mr James Molyneaux last night made clear that his party remains firmly opposed to all-Ireland institutions as British and Irish ministers reported slow progress in efforts to forge a political settlement in Northern Ireland.

Sir Patrick Mayhew, Northern Ireland secretary, and Mr Dick Spring, Irish foreign minister, acknowledged after protracted talks in London that some "areas of complexity" in the joint framework document setting out the two governments' proposals had still to be resolved.

Their comments appeared to call into question the timing of the document's publication. The most optimistic assessments had suggested this might come next month at a first summit between Mr John Major and Mr John Bruton, his Irish counterpart.

Mr Molyneaux, who is a pivotal figure in efforts to forge a durable settlement in the province, said it was "very difficult" to imagine a cross-border body that would be acceptable to Ulster Unionists, or be "of any practical value to either state."

He said co-operation with the Irish government on matters of common interest could be undertaken "without there having to be some free-standing structure". There was a danger that such a body might "acquire a mind of its own eventually and there would be no stopping it".

But, in an interview with the FT, the Ulster Unionist leader, played down suggestions that his party might withdraw its support at Westminster for Mr John Major, saying his close personal relationship with the prime minister had not been "ruptured in any way" by the recent "bombardment of disclosures".

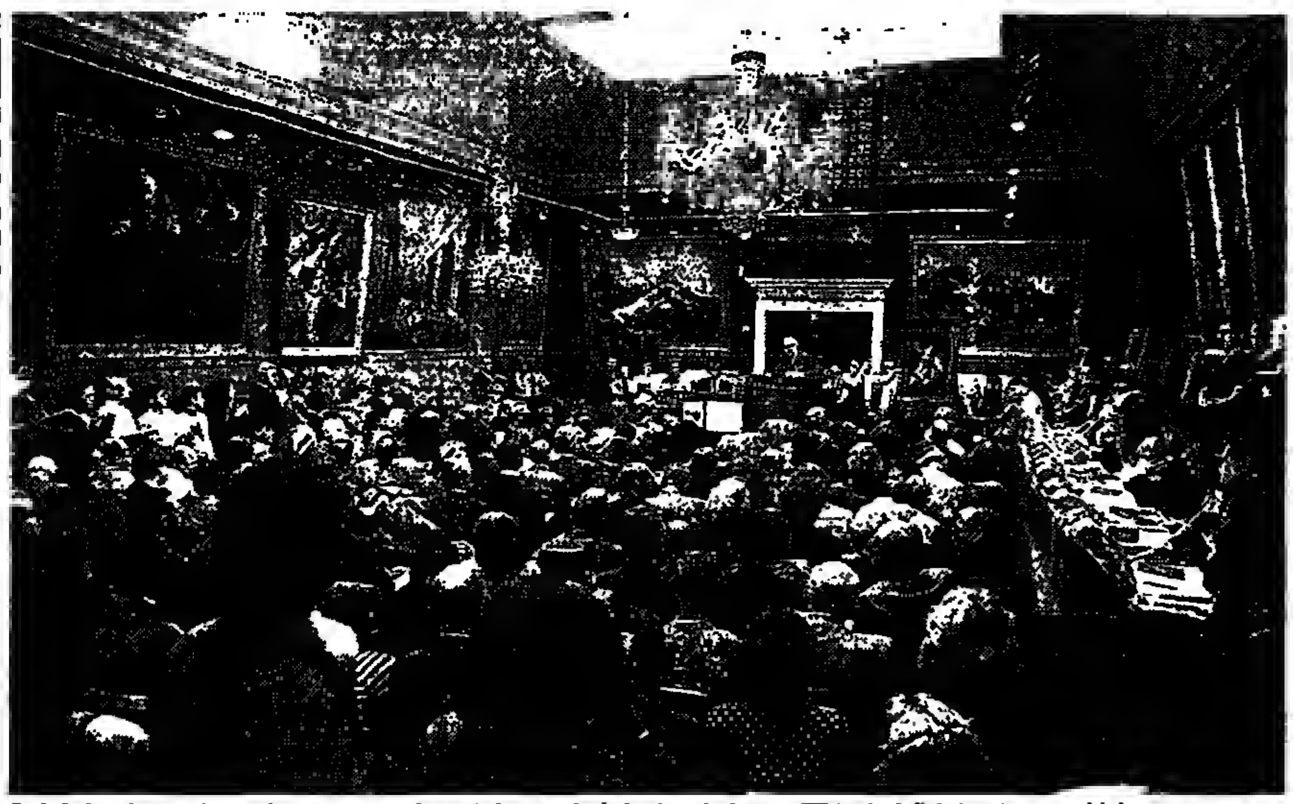
He appeared pessimistic about the prospects of the present IRA ceasefire lasting, saying he thought there was "a real possibility they might let fly again" before Easter.

Sir Patrick said he and Mr Spring had worked through the "long and balanced" 23-page draft framework document for the first time.

Officials of both sides have been asked to address the problems – believed to include the key constitutional trade-off at the heart of the document – as soon as possible, to allow Sir Patrick and Mr Spring to hold another meeting shortly.

With Mr Bruton due to hold his first formal talks with Mr Gerry Adams, the Sinn Féin president, in Dublin today, senior republicans are stepping up the pressure on the British government.

Mr Martin McGuinness, a member of Sinn Féin's ruling executive, said: "The British government's failure to engage so far in the process, five months from an IRA ceasefire, has been disgraceful."



Sotheby's saleroom in London: A surge in imported artworks helped push the non-EU trade deficit to a two-year high Picture, Tod Gifford

Art imports push up trade deficit

By Robert Chote, Economics Correspondent

A £200m surge in imports of works of art and jewellery last month helped push the UK's underlying trade deficit with countries outside the European Union to a two-year high.

The non-EU trade gap more than doubled between November and December to a seasonally adjusted £1.05bn ($1.67bn). This was the biggest shortfall between imports and exports since February 1993, according to the Central Statistical Office. The yawning deficit reinforced fears among economists that the British economy is growing too quickly for comfort.

Mr Michael Heseltine, trade and industry secretary, shrugged off the figures. He said the fact that the deficit of £6.5bn in 1994 as a whole was the lowest since 1987 was "much more significant than any single month".

But Mr Brian Wilson, the opposition Labour party's trade spokesman, said the weakness in manufacturing was preventing a sustained trade improvement.

The trade gap widened by slightly more than £600m between November and December, after adjusting for seasonal influences. A third of this increase was explained by imports of works of art and jewellery, while another £100m was accounted for by imports of two Boeing aircraft.

The CSO believes the art and jewellery may be coming predominantly from the United States, perhaps to be sold at British auction houses before being re-exported. Sotheby's, the auctioneers, said that November and December were "high season" for art sales.

The Treasury conceded that artworks and aircraft could not explain the entire deterioration in the trade gap, which runs contrary to the recent trend. Over the past year the trade position has been more favourable than most economists expected, prompting several to predict that the current account will be in the black for 1995 as a whole. The current account also includes trade in goods with the rest of the EU, as well as trade in services and flows of investment income.

Imports from outside the EU rose by 5.5 per cent in December to a record £6.34bn, reflecting a rise in prices and a jump in the quantity of goods imported. This implies domestic spending may outstrip industry's ability to meet demand.

Korean carmaker in service talks

By John Griffiths

Daewoo Cars, the UK subsidiary of Korea's second largest carmaker, is understood to be negotiating for Halfords, the motor accessories and servicing group, to provide service for its cars when they go on sale in the spring.

The negotiations are set against the background of the abrupt departure this month of Mr Leslie Woodcock, Daewoo Cars' managing director, at a crucial time in Daewoo's ambitions to create its own retailing network to sell 20,000 cars a year in the UK by 1997.

Daewoo, the world's 33rd biggest business group, sent shock waves through the motor trade last October when it announced that it would sell its cars from its own 'supermarket' sites starting in March.

Daewoo said it would spend £150m on its own network, eliminating independent dealers. Instead it would use a network of 30 wholly owned 'Vision 2000' superstores backed by 100 owned or leased service and used-car sales centres. However, Daewoo acknowledged yesterday that only three "supermarket" sites had so far been fully established, only weeks before the planned launch date.

The company would neither confirm nor deny the negotiations with Halfords but acknowledged that Daewoo had been talking to a number of independent parties about the possible provision of after-sales service for the vehicles.

Halfords, which is owned by Boots, is the UK's biggest independent car parts and servicing chain with nearly 140 outlets. It also refused to comment yesterday.

Mr Sung Kee-Kim, deputy managing director, has taken over day-to-day operations of Daewoo Cars but the company has said a new managing director will be appointed.

Exports are becoming vitally important to Korean car makers because of a slowdown in domestic sales at the same time as production capacity is being expanded rapidly. Korea plans to raise car output to 6m by the end of the decade, compared with 2.3m last year. But domestic sales rose by only 9 per cent last year.

Daewoo plans to quadruple its worldwide production capacity to around 2m cars a year by the end of the decade.

Portillo urges review of EU social directives

By Robert Taylor, Employment Editor

European employment ministers should reassess EU social directives and change them if necessary to improve the prospects for job creation in the single market, according to Mr Michael Portillo, employment secretary.

"As a matter of good housekeeping we ought to review what [social legislation] we presently have and ensure that it is still relevant," he said in an interview. "That will be my focus for the coming EU social affairs council meetings."

Mr Portillo also made it clear that Britain will not sign up to the social chapter of the EU's Maastricht treaty whatever the pressure to do so at next year's intergovernmental conference on the EU's future.

"There has been a hankering within the European Commission and among other member states for Britain to return to the social chapter. It will not happen," he emphasised.

Mr Portillo said he thought the Commission had slowed down introduction of new social directives in recent months in order to try to tempt Britain to reconsider its opt-out, but that this attitude might now be changing.

"There are bound to be some more directives. There are still a few from the old social action programme," said Mr Portillo. "It is clear from the tone of the employment white paper from Padraig Flynn, the EU social affairs commissioner, that he recognises no consensus exists for a fresh raft of legislation and he sees the limitations of that approach. But of course he would not give any guarantee there would be no more directives coming forward."

Mr Portillo accepts the UK's Maastricht social chapter opt-out cannot be completely effective in fencing Britain off from the effects of social directives it opposes. He added that the EU works council directive was "rather exceptional. British companies which are active across the continent may in some cases be caught by it", he accepted.

However, Mr Portillo said this would not apply to the UK's opt out from the part-time workers directive nor any legislation that might emerge on posted workers.

Right path to power, Page 12

Electricity grid sale becomes a current problem

The government faces a struggle over a planned demerger, report **Peggy Hollinger** and **Kevin Brown**

The British government is bracing itself for a lively tussle with the electricity supply industry in the coming weeks as ministers search for a way of defusing the political difficulties of demerging the National Grid.

Mr Gordon Brown, shadow chancellor, has already scored substantial political points by demanding a windfall tax on the flotation of the electricity transmission system, which is owned by the 12 English and Welsh regional electricity companies.

Officially, the government has cold-shouldered the idea. Unofficially, ministers admit the grid was virtually handed to the regional electricity companies to ensure their successful flotation in the midst of uncertainty caused by Baroness Thatcher's resignation as prime minister.

When the companies were sold in 1990 the government valued the grid at £1.2bn ($1.90bn). Estimates now are that it will have a value of between £4bn and £5bn after flotation. Such a large potential profit is attracting the charge that taxpayers have been cheated.

The government hopes that if the flotation is structured so that the benefits are shared in a politically acceptable way between customers, shareholders and the Treasury, the controversy could be defused.

The current proposal is that shareholders of the 12 regional companies would receive shares in the National Grid Company, to be floated in May or June.

The UK electricity market is one of the first in Europe to be deregulated and Britain is unique in privatising its transmission system in this way. The Swedish and Norwegian systems are similar, but remain largely controlled by the state.

But the flotation raises two potentially controversial issues – the level of rebate for customers and the degree to which the demerger is made tax efficient. Analysts estimate capital gains tax will amount to about £1bn if the grid is valued at £5bn. However, the cash that lands in Treasury coffers could be less than half that.

Under the legislation, certain tax-exempt investors will be able to reclaim a large part of the tax paid by the electricity companies. Such a whittling away of the net proceeds is unlikely to be acceptable to the Treasury, or to ministers already under fire over privatisation.

The tax issue also has implications for the level of customer rebate which the regional companies are prepared to pay.

Ministers believe most regional electricity companies recognise the political difficulties surrounding the sale and are prepared to compromise. However, their room for manoeuvre is limited by the fiduciary duty of directors to shareholders.

Without flexibility on the tax to be taken out of the grid, "there is a level of customer rebate at which the deal cannot be done", one chief executive said.

The difficulty is that by squeezing too much value out of the grid, investors might actually get a lower return than they enjoy at the moment.

If they were going to lose on the transaction, the electricity companies would be better off not demerging the grid. That, at least, is the view held by a small but significant group of them.

Yet the regional companies have a weapon which could be more tax efficient for shareholders, and is almost certain to be brandished at the government if it presses too strongly for higher rebates. Advisers to the recs have drawn up proposals to create a secondary class of electricity share so that grid dividends can be paid directly to the regional companies' shareholders.

The government has its own weapon – the golden share. This means flotation cannot go ahead without its approval. The key will be to convince the regional companies that it is prepared to withhold that approval unless the deal can be done without too much political embarrass-

UK NEWS DIGEST

New code of ethics for civil service

A new code of ethics for Britain's public officials was introduced by the Conservative government yesterday as it sought to head off complaints that it has politicised the civil service during more than 15 years in office.

The code, to be issued to each of the country's 500,000 civil servants, is a bid to re-establish the civil service's traditional reputation for political neutrality. It states that officials should act with "integrity, impartiality and honesty" in their dealings with ministers.

It also binds them not to act in a way that is "illegal improper, unethical or in breach of constitutional convention".

Publishing its second white paper on civil service reform in eight months, the government also announced the creation of an independent appeals system to investigate the case of any official claiming to have been subjected to political pressure from ministers.

The code's introduction comes months before the publication of the Scott inquiry report into the "arms-for-Iraq" affair, which is expected to say that civil servants misunderstood their public duties and helped ministers to break established guidelines over weapons sales. *James Blitz, Westminster*

UK rejects plan for EU-wide plug

The UK has voted against controversial proposals for a harmonised European electrical plug and socket system, the introduction of which could force the abandonment of the three-pin 13-amp system.

The vote, taken by a technical committee of the British Standards Institution, was widely expected because of strong opposition to the proposal from the UK plug and socket industry and some safety experts.

The BSI said the committee rejected the proposal for safety reasons and its lack of standards covering wall boxes. Similar committees throughout Europe are voting on the proposals, which were produced by Cenelec, the Brussels-based electrical standards body. A final decision is expected this spring. *Andrew Baxter, London*

Minister pledges moves on competitiveness

Mr Michael Heseltine, Britain's trade and industry secretary, yesterday confirmed that the government intends to publish a second white paper on competitiveness in the early summer and warned industry that recent improvements in the UK economy should not encourage complacency about Britain's trading performance.

Mr Heseltine, who last May unveiled a white paper intended to raise training standards and improve UK competitiveness, said he planned to publish a follow-up document to underline the government's determination to spread the culture of competition across the public and private sectors.

He told the French Chamber of Commerce in London last night that the government remained determined to bring about a "cultural adjustment" in British attitudes to help improve its relative competitiveness. But he emphasised that there were no "short cuts" in trying to overcome economic decline and a competitive gap which had affected parts of British industry for almost 100 years. *Michael Cassell, London*

Korean plastics company sets up plant

Young Shin, a Korean supplier to Samsung, is to set up a plant on the former Haverton Hill shipyard site near Billingham, Cleveland, in northern England creating 150 jobs, it was announced yesterday.

The plant will make plastic casings for television sets made by Samsung, Korea's biggest company, at its Billingham factory. The £2m project was proposed before Samsung announced it was to develop a £500m electronics complex in Cleveland, but the prospect of increased production levels helped clinch Young Shin's investment.

Cleveland county council, which is hoping for substantial inward investment spin off from Samsung's electronics complex, is giving £150,000 to support the Young Shin project. The company has not sought any UK government Regional Selective Assistance. *Chris Tighe, Newcastle*

Treasury staff opt for redundancy

At least a quarter of the UK Treasury's senior staff have applied for voluntary redundancy in a programme to streamline the structure of Whitehall's most powerful department.

Sir Terry Burns, the Treasury's permanent secretary, yesterday told his senior mandarins that there would be no need for sackings to achieve targets. Some of those departing could be in line for individual pay-offs of more than £300,000, ($477,000) reflecting their age, salary and length of service.

The redundancy programme was prompted by a "fundamental expenditure review" of the Treasury, commissioned by Mr Michael Portillo when he was chief secretary to the Treasury. It has dealt a serious blow to morale and prompted many officials to search for jobs in the City or consultancies.

The redundancies cover officials of under-secretary and assistant secretary status, earning between £37,000 and £64,000 a year. *Robert Chote, Economics Staff*

Less dissatisfaction with banks shown

Corporate dissatisfaction with banks is dropping, and fewer companies are complaining of restrictions on lending as the effects of the recession ease, according to a study of 1,500 companies with a combined turnover of £65bn.

The study, by the Bank Consultancy Group, finds that sources of strain such as lending restrictions and the level of bank fees had all eased compared with 1992 – the height of banks' efforts to increase operating profitability.

It finds that the availability and cost of finance is far less of an issue than in 1992. Only 26 per cent of companies identified it as a problem compared with 41 per cent three years ago, when a similar survey was carried out.

Banks remain less popular with companies than providers of other services. Some 36 per cent of companies rate their main bank as excellent or good, compared with a 55 per cent approval rating for accountants and merchant banks.

Banks are criticised in the study for dislocation caused by centralising services for businesses in regional offices. It says that mistakes are less frequent, but they are harder to correct because of the inaccessibility of the banker. The study says a "surprising" number of companies regard themselves as open to offers from an alternative bank, with 40 per cent regarding a change in their bank relationship over the next two years as either possible or likely. *John Gapper, Banking Editor*

FA charges Cantona over attack on fan

French international soccer player Eric Cantona was formally charged yesterday by the English Football Association for leaping into the stands to attack a spectator.

M. Claude Simonet, French Football Federation chief, also said he was stunned by Eric Cantona's latest flare-up and is preparing to take "draconian measures" against him.

The FA charged the 28-year-old Manchester United striker, who also could face criminal charges over the incident, with "misconduct which has brought the game into disrepute."

The incident happened during Wednesday night's game between United and Crystal Palace, at the London club's Selhurst Park ground. Cantona had been sent off the field for a foul and reacted to supporters' jeering by launching a two-footed kick at one man in the crowd. They then exchanged punches before Cantona was dragged away by team-mates.

In addition to any criminal charges that may result from the incident, the FA has the power to levy whatever fine or suspension it considers necessary, which could include a life ban. The nearest thing approaching a precedent would be the nine-match ban imposed on Arsenal midfielder Paul Davis for breaking Southampton player Glenn Cockerill's jaw some years ago. *Stephen McGookin*

MANAGEMENT

Texas Homecare's customer-centred vision has made it an attractive deal for Sainsbury, says **Tim Dickson**

The power tools of a DIY strategy

John Coleman, chief executive of Texas Homecare, is philosophical about Wednesday's £280m acquisition by J Sainsbury of the DIY retailing group. While insisting that "it's a great deal for all parties" the 42-year-old Scot also accepts that the immediate consequence for him is likely to be a spell seeking new employment. Ladbroke (Texas' parent), after all, is retreating from retailing and Sainsbury is expected to bring in its own people to run the business.

If Coleman has a regret it is not the imminent prospect of more time to himself – "there are plenty of good jobs out there" – so much as frustration at not being able to reap the full benefit of changes he has helped introduce during 15 months at the Texas helm. Merger benefits aside, the improvements he has wrought go a long way to explain why Sainsbury is prepared to pay a generous price for a group which is forecasting profits of just £8m for 1994.

The Texas turnround is also interesting for the joint contribution of the Kalchas Group, a specialist strategic consultancy, and its 10 per cent shareholder Ernst & Young. Michael de Kare-Silver, a Kalchas founder, says his firm's approach has been to balance the need for short-term profit recovery with "the development of a longer term vision and strategy that will renew the company". He uses the somewhat inelegant expression "reimagineering" to distinguish the Texas experience from the sort of crude cost-cutting designed simply to rev up today's performance.

Texas' customer-centred "vision" may seem routine but Coleman's efforts appear to have made an impact throughout the company. He measures success by a recent employee survey in which everyone interviewed was able to articulate the Texas strategy, which range of products it is trying to sell, and what type of customers it is trying to reach.

The bottom-line effect of the restructuring – quantified so far at £15m-£20m on an annualised basis – has come from projects aimed at pulling what he calls the "three key profit levers" of the business: supplier management, store operations and product range and pricing.

Over the last year Texas has scrutinised 75 per cent of its supplier base (by product value), and has cut the number of companies it deals with in half by entering into partnerships with a core number of "strategic suppliers".

"It's a win-win situation", claims Coleman with the fervour of someone who has evidently had to be converted. "In one case we took out 30 per cent of the cost of a company with whom we were

John Coleman: 'A win-win situation'

spending £10m a year. But they get the benefit of higher throughput, greater certainty, more reliable planning, and less overtime. I have been amazed how much you can do." Overall, he adds, the cost of deliveries has been cut by 3 percentage points.

The emphasis within stores, meanwhile, has not just been on reducing the headcount – although 900 management jobs went in October – but on increasing the proportion of staff engaged in "customer valued" activities. "When we started," Coleman recalls, "55 per cent of the hours we were paying people for were not related to anything that was happening on the sales floor. It was there that we needed to change to a customer service culture. We went about it by identifying and eliminating non customer-service hours through, for example, the redesign of the delivery system and wider use of suppliers' own quality checks."

The result is that in Texas' newer stores only 80 per cent of staff hours should in future be related directly to customers. To consolidate this Texas has just linked a large chunk of employee bonuses to each store's performance as part of its new customer monitoring exercise – an idea Coleman successfully introduced at Dorothy Perkins, the Burton subsidiary from where he was headhunted by the ailing DIY group in autumn 1993.

Under his command Texas has also rationalised its product range to reflect consumer buying patterns as well as to focus the business at the more "heavy" end of the market. But a more exciting development has been the growing sophistication of information available for management decision making.

De Kare-Silver says the model here has been Boots' Direct Product Profitability system, which yields profit and sales information on a daily basis for each product line and therefore offers the means to fine-tune the company's product range on a seasonal basis. Texas has already used its system – jointly developed by Kalchas and Ernst & Young – to identify the high costs of space occupancy attributable to its power tools product group, and has altered stock levels accordingly. But the company must wait until March before the area networked PCs will throw up daily details for each of its 30,000 product items.

IT is also revolutionising Texas' distribution, not least through the introduction of a just-in-time variant known as "cross docking". By electronically linking individual store orders directly to the manufacturer this ensures that the central distributor's storage costs are cut to the minimum. Appropriately the idea was pioneered by the big food retailers, including J Sainsbury.

Best foot forward: Unipart's on-site facility includes squash courts, an aerobics studio and a centre for alternative therapies

Healthy worker, healthy office

Richard Wolffe visits a company which has just spent £500,000 trying to manage stress through exercise

Andy Donaldson used to spend his evenings slumped in front of the television. Overweight and a heavy smoker, his most strenuous exercise was to cycle to his favourite pub.

Today, the 41-year-old data analyst spends his free time at work, lifting weights rather than pints of beer. At Unipart's headquarters in Oxford, he has transformed his health thanks to a rigorous exercise routine at the company's new fitness centre.

"I just used to sit down and do nothing in the evenings, and I ate too much fatty food," he said. "Then I did the diet in combination with joining the gym. I lost two stone and have kept most of the weight off through regular exercise.

"There are a few of us in my work area who use the gym and I think we perform better for it. I am really on top notch."

Unipart has spent £1m helping its 2,500 employees to feel top notch. This week the motor parts group opened a £500,000 extension to its on-site sports facilities, which include squash courts, an aerobics studio and a centre for alternative health therapies.

Designed to rival the best private health clubs, the facilities, known as the Lean Machine, are Unipart's attempt to combat stress while staying ahead of the competition.

John Neill, group chief executive, said: "We're told that change will be 10 times faster this decade than in the past. This rapid pace of change means that employees are facing more and more stress which can manifest itself in physical and mental problems.

"In the Lean Machine, they can not only get fit so that they can cope with stress, and receive treatment to deal with some of the problems created by stress, they can also learn how to manage stress through exercise and therapies to avoid problems."

Unipart is the latest in a growing line of UK employers to revolutionise occupational health.

Managers have traditionally confined their concerns to health and safety issues within the workplace, reacting to problems as they arise. However, many are now adopting fitness and health screening schemes which seek to change the lifestyle of their employees, both in and out of working hours.

The Confederation of British Industry estimates that absenteeism costs every UK business an average of £12,000 a year. It is estimated that 350m working days are lost each year through ill-health, including stress and smoking-related diseases.

Spurred by such statistics, many employers have decided to adopt a more proactive role in healthcare. Official encouragement came in 1992, when the government's Health of the Nation policy paper recognised the need to broaden the scope of occupational health.

Virginia Bottomley, Secretary of State for Health, opened Unipart's new sports centre, saying: "The NHS is about doctors and nurses when people feel sick, but the question is: Can we can prevent them being sick in the first place? We need employers to take the issue seriously. We lose many more working days through ill-health than we ever did through industrial action."

Several blue-chip companies were first attracted by fitness programmes pioneered in the US, where employers have been driven by the prospect of lower medical insurance premiums.

The concept formally crossed the Atlantic in 1992 with the birth of the Wellness Forum, whose members initially included Glaxo, Marks & Spencer and J Sainsbury. Today the Forum boasts 40 members and promotes such areas as healthy eating, keep-fit classes and anti-smoking campaigns.

Tim Biggs, of the Wellness Forum, said: "Our work is not just a question of occupational health but trying to improve people's lifestyles so they are happier in themselves, which will reflect in their working lives. Enlightened organisations are looking to improve healthcare to improve their profits."

Du Pont, the chemicals and fabrics company, won the Wellness Forum's first award for its health screening and fitness programme in Northern Ireland last year. The Du Pont plant, near Londonderry, enjoys a medical centre and a gym alongside the traditional recreational club.

The company first launched the programme in 1989 with a specific health statistic in mind. Marion Miller, occupational health nurse at Du Pont, said: "One of the reasons it started here in Northern Ireland is because of the incidence of coronary heart disease, which is one of the highest in the world. There is a lot of money and training invested in our individual employees and we discovered people were dying in their late 30s.

"We have always had a set programme of pre-employment medicals and we have always taken care about all the potential hazards at work, but we decided that we had to do something more to prevent disease occurring."

Today the company, which offers free private medical insurance, spends £154 on occupational health for each of its 1,000 workers at the Northern Ireland plant.

All Du Pont employees undergo a lifestyle examination alongside the company's routine medical screening every three years. The assessment measures the employee's chances of developing coronary heart disease in the next 10 years.

According to research by Harvard Medical School, stress reduction programmes in US companies have reduced employee visits to doctors by between 35 and 50 per cent. However, Nigel Watson, principal lecturer in sociology at Sunderland University, says the benefits for employers are not exclusively health-related.

"The companies which introduce such programmes are successful employers who want to have the best employees; by showing they are caring employers, they will become the employer of first choice.

"Employers, especially in the service areas, think that if you have loved and cared-for staff, they will love and care for their customers."

Ballet in Palermo/**Clement Crisp**

The Leopard

Roland Petit has always shown an acute sense of place as well as of timing. For the past half-century his ballets have vividly charted the concerns of our age. His earliest pieces, as I noted recently in discussing *Le Jeune Homme et la Mort*, were a reflection of the existential mood in Paris at the war's end. His multiplicity of creations since then – ballets, work in film and music-hall, even his rejuvenations of the old repertoire – have caught tha moment, epitomised it. And in a couple of ballets he has also evoked the genius of a place, as with *The Phantom of the Opera*, where we sat in the Palais Garnier and were at once inside and outside the building, on its roof, in its deepest recesses, watching a stage which was the hero of the piece. It was a master's capriccio, typical of Petit's witty legerdemain.

Now Petit has pulled off a no less skilful trick hy producing an evening-long contemplation on Lampedusa's Sicilian novel, *The Leopard*, and presenting it in Palermo during a visit by his Ballet National de Marseille. Lampedusa's theme was the collapse of Bourbon rule and the rise of a united Italy. His protagonist was the Sicilian prince, Don Fabrizio, incarnation of the passionate (and dancing) leopard of his family crest, who sees his world ending as the new era marked by Garibaldi's insurrection begins.

Petit and his librettist, Edmonde Charles-Roux, make no attempt to re-tell Lampedusa's narrative. (It helps, indeed, to have read the novel.) Rather is the action a series of scenes – some almost static – in which central concerns of the book are shown to us. The resonances for the Palermitan audience on Friday and Saturday, when I saw tha production in the Teatro Politeama Garibaldi, are obvious. Here was their history and, in Luisa Spinatelli's evocative designs, their city. Outside, in the bustle of that most bustling city, were the porticos and baroque ceilings with which Spinatelli sets the stage. And, a hrief step away from monuments celehrating Garibaldi's presence, here were Petit's artists as a red-shirted populace once again proclaiming liberty.

The machinery of Petit's *Leopard* is efficient. Three themes are presented: Don Fabrizio as aristocratic womaniser ever seeking an ideal, witness to the end of a society whom he typifies; the passion of the young revolutionary Tancredi for tha lovely and closely chaperoned Angelica; rebellion against Bourbon rule. A further matter is, inevitably, the creation of a hig role for a guest artist, Nicolas LeRiche.

Petit has distilled the essence of Lampedusa's Sicilian novel

At 22 the prodiginus new étoile of the Paris Opéra, he has made notably fine appearances in other Petit works – as Le Jeune Homme and as the young lover in last season's *Camera Obscura*. As Don Fabrizio, a character some 30 years older than himself, LeRiche is credible, and very moving. The yonthful power of his movement, which is grandly displayed in a first scene when he appears not as the Prince hut as the dancing leopard of his coat of arms, gains in weight, elegiac dignity, for the mature Fabrizio. As in everything else I have seen him dance, LeRiche puts not a foot or a gesture wrong. His Fahrizio is Lampedusa's. He is already an exceptional artist, nobly clear in his playing as in his dancing.

Fabrizio's quest for an ideal woman is shown hy Petit under the guise of the prostitute Mariannina, then as a starry spirit, finally as Death, a triple role taken with entire grace by Dominique Khalfouni, whose sensibilities can encompass frank eroticism (in the finest pas de deux of the ballet) and a serene dignity as Death come to seek Fahrizio at a ball.

Cyril Pierre is an ardent Tancredi, his movement as vivid as his feelings; the dulcet young Lucia Lacarra is his Angelica, innocence deliciously shaded hy sensuality, her dancing pure. And we have Petit's unfailing and audacious sense of theatre, daring *not* to make his characters move in a scene when a dead soldier is found in Fabrizio's garden, the cast held almost immobile in grief. The ballet works notably well on such fresco terms – action bold and simple, choreographic mass to set against intricate sequences which speak of character rather than history.

For score Petit has an assemhlage of Italian music from Cherubini to Puccini, whose *Crisantemi* exactly sets the mood for Fabrizio's death. And, as ever, the varve of Petit's imagination fires his dancers: Dominique Khalfouni remains one of the most poetic and sympathetic of ballerinas – her dancing and playing exquisite; Nicolas LeRiche is the most richly gifted dancer the Opéra has given us in many years. Petit's Ballet National de Marseille is everywhere admirable.

The Ballet National de Marseille with Roland Petit's *The Leopard* is now touring Italy.

Talented young Nicolas LeRiche as Don Fabrizio, the aristocratic womaniser in search of his perfect woman, with Dominique Khalfouni who encompasses both frank eroticism and serene dignity in her triple role

Theatre/**Paul Driver**

Late Strindberg

There is a sort of madness of genius, even in an outwardly sane artist, which August Strindberg certainly was not, that rejoices in depicting the artist's own worst experiences, even while they are still happening, and allows him or her to devise with equal conviction and virtually at the same time opposite psychic scenarios. Such is the case with two of Strindberg's fiercely passionate later dramas, *The Dance of Death* Part 1 and *Easter*, composed in the same month in 1901.

The titles spell it out. London theatre-goers are currently able to discover for themselves the startling contrast and underlying unity of these plays, since Peter Stormare's production of the first (to which Sarah Hemming gave a qualified endorsement on this page) is running at the Almeida Theatre while Katie Mitchell's new RSC production of the second opened on Wednesday at The Pit.

Dance of Deoth, with its excoriating analysis nf a marriage, is utterly what we expect from Strindberg, hut *Easter* is something other. What it is exactly Is rather hard to say: a kind of playful hiblical allegory dressed up as a more or less naturalistic slice of Swedish life, which hankers to be a fully-blown expression of transcendence, late-Shakespeare-like, hut reins itself in. As in Shakespeare, the theme of transcendence is symbolised hy music, of which we get various speciuiens, including the *Matthew Passion*, at The Pit.

The three acts, here running continuously, as if to emphasise the work's potential as a chamher play, take place respectively on Maundy Thursday, Good Friday and Easter Saturday. In a light-handed, unsacrilegious way the members of the Heyst household in provincial Lund are put through sometbing like the resurrection drama.

Young schoolmaster Elis, and his lyrical, biblically minded sister Eleanora, escapee from a mental asylum, suffer in atonement for the sins of their father, who is in prison for embezzlement. Embittered Elis must do battle against his own pride, as he tries to save his mother's dignity, his impending marriage, his summer holiday and what remains of the family furniture.

He nearly fails on all counts: and it is the genuineness of the deadlock casting its Strindbergian gloom over the greater part of the play, obscuring the rays of spring sunshine at the start, which makes the eventual opening out into forgiveness and renewal seem genuine in its turn.

The Heyst's main creditor, a giant of a moral and physical being called Lindkvist comes at the end not to collect the furniture hut as a benign Mephistopheles to reveal to Elis the depths of his own conscience. Big, white-haired great-coated Philip Locke in this role thunders on to the stage – hitherto a relatively *sotto voce* one – like a summer storm, and initially seems to be over-acting, hut one's doubts are dispelled by the warm rain of clemency he brings

Adrian Rawlins gives us a nervy, volatile, plausible Elis; he looks right, too for a part that is a Strindberg self-portrait. Lucy Whybrow's white-garbed Eleanora is sententious and deranged in the right measure, while beautifully melodic. Susan Brown is a sympathetic Mrs Heyst and Daniel Betts as Elis's orphaned pupil (and indirect creditor Benjamin an excellently bashful boy. Rosa Maggiora's subdued blue-gray set and period costumes are based on photographs by Strindberg himself Mitchell's direction sometimes seems too static, but is abundantly lyrical.

Sponsored by Allied Domecq. The Pit Theatre, Barbican.

Adrian Lester as Rosalind, with Simon Coates Alastair Muir

Theatre/**Alastair Macaulay**

All-male 'As You Like It'

A fresher or more refreshing production of a Shakespeare play than Cheek by Jowl's *As You Like It* I have never seen. This staging, directed by Declan Donnellan and designed by Nick Ormerod, was new in 1991; last September, partially re-cast, it returned to life for a triumphant national and international tour that finally has led it to a three-week season in the West End. It is entirely British, and yet it seems to owe nothing to any older British tradition of acting or staging Shakespeare.

First, this is an all-male *As You Like It*. The effect is neither to turn *As You Like It* into a gay text nor to give us a scholarly lesson about the boy players of Shakespeare's female roles, but instead to hring out the thrilling, perplexing ambiguities of Rosalind's disguise as Ganymede.

Though Adrian Lester plays Rosalind with all the heartcatching spontaneity that has been loved in other great Rosalinds of the past, he also gives us a Rosalind we never previously imagined: at first shy and bookish, then becoming impulsive with sexual attraction, and finally taking charming charge of matters in the forest *while* being agonised hy his own disguise – and still as tongue-tied and hesistant as at first. The other female roles also succeed brilliantly, and each one of them has been marvellously reconceived. The whole sexual atmosphere onstage has danger, wit, charm, absurdity, excitement.

Second, this is a modern-dress *As You Like It* with no scenery except (well into the second half) for green streamers that, so simply, show us the trees on which Orlando pins his love-poems. These streamers are wonderful – we need no more forest than this – and yet it is a tribute to the production that they are almost a disappointment after what wa have already seen achieved with no scenic help at all.

While Celia and Rosalind, still at court but preparing for exile, speak of the Forest of Arden, in rushes the banished Duke, in a circle round them and flings himself rapturously to the floor. He is bare-chested, and in seconds that simple act of running and falling has taken us into the Forest – and prepares us for the speech in its praise he is about to make. And yet Celia and Rosalind are still speaking, and we are also still at court with them. At such a moment, being in two places at once *and* feeling the connection and contrast between them, yet having no scenery to support us, we sense just how magical theatre can be.

Third, and perhaps most important, the Cheek hy Jowl actors speak Shakespeare with an astonishing degree of naturalness. Each year in Britain we see a good deal of lively, communicative Shakespeare, hut this company knows how to peel away yet one further layer of "style" that usually hangs between Shakespeare and us. I wish I could analyse such directness of utterance, and yet I thank heaven I cannot.

Fourth, both the songs and the singing are marvellous: skillful, tuneful, poetic, charming, intoxicating. Fifth, inspired casting at every level has given us wholly original accounts of every role. I must single out a few – Richard Cant doubling as both tender old Adam and the artless, yodelling, young Audrey; David Hobbs doubling as both glacial, defensive Duke Frederick and thawing, generous Duke Senior; Wayne Cater as plump, sheep-eyed Phebe; Scott Handy as a skinny Orlando as impulsive and heart-full as his Rosalind – but the miracle of this staging is its ensemhle. Sixth, at numerous points they "suit the action to the word, the word to the action" with hreathtaking results.

This is not a perfect staging. Who could believe that this Jacques could enthuse over this Touchstone? Most of the full-arm gestures are artificial and samey. And Rosalind in particular overdoes the Wonderful Wordless Moments in mid-scene. But – like people all around me in the audience, and like others who have already seen this staging – I laughed, sighed, gasped, and cried; and I hung on its every detail as if I had never encountered the play, or its author, before.

At the Albery Theatre until February 11.

New venue for the RSC

The RSC is to take over the Young Vic – at least for five months this summer. It is presenting four plays there, David Edgar's *Pentecost*; a pairing of two plays that will form the RSC regional tour, *The Tempest* and Edward Bond's *Bingo*; and a revival of *Peer Gynt*. The season is made possible hy the sponsorship of Allied Domecq, which gives the RSC £1.1m a year.

The new Stratford on Avon season at the main theatre consists of dependable Shakespeare: *Romeo and Juliet*, *The Taming of the Shrew*, *Julius Caesar*, and *Richard II*. Only points nf interest are that Peter Hall is directing his first *Julius Caesar* and the RSC's artistic director, Adrian Noble, his first *Romeo and Juliet*. Also appealing is the casting of comedienne Josie Lawrence as the Shrew, in a first RSC prodnction from the Australian director Gale Edwards. David Tronghton plays Richard III and Steven Pimlott directs.

In the two other venues at Stratford there is a spate nf European plays, including *The Cherry Orchard* (also directed by Noble), both parts of *Faust*, and Calderon's *The Painter of Dishonour*. At long last Nigel William's adaptation of *Lord of the Flies* reaches the stage. There are also two comedies at the Swan, Johnson's *The Devil is an Ass* and Vanbrugh's *The Relapse*.

The London season for 1995 at the Barbican is last year's Stratford season: all the prodnctions are judged good ennugh to transfer. So the line up is *Twelfth Night*, *A Midsummer Night's Drenm*, *Measure for Measure*, *Coriolanus*, and *Henry V*. The only new production at the Barhican is a revival of John Osborne's *A Patriot for Me*, which was originally banned fnr its homosexual theme. The Pit gets Dennis Potter's version of the Bible in *The Son of Man*, as well as a transfer of Anne Devlin's *After Easter*.

Financially the RSC is having a good 1994-95. Average attendances of 82 per cent means that it can pay off mnre of its overdraft which, by the end of March, should be less than £500,000 as against a peak of over £3m. Adrian Noble seems to be going for an ensemhle company, and developing young actors: as last year, there are nn hig box office names at Stratford.

Antony Thorncroft

International ARTS GUIDE

■ AMSTERDAM

CONCERTS
Het Concertgebouw Tel: (020) 671 8345
● Semiramide: by Rossini. Ion Marin conducts the Royal Symphony Orchestra at 1 pm; Jan 28
● The Royal Concertgebouw Orchestra: Valery Gergiev conducts Bartók and Stravinsky at 8.15 pm; Jan 27

■ BERLIN

GALLERIES
Neue Nationalgalerie Tel: (030) 266 2653
● George Grosz, Berlin-New York: exhibition of the German Dadist who emigrated to the US; to Apr 17
OPERA/BALLET
Deutsche Oper Tel: (030) 341 9249
● Aida: by Verdi. Conductor Stefan Soltesz, production by Götz Friedrich at 7 pm; Jan 28 (6 pm)
● Ballet Evening: conducted by Sebastian Lang-Lessing. Nacho Duato, Glen Tetley and Harris Mandafounis choreograph works by Debussy, Poulenc and Stravinsky at 7 pm; Jan 27 (7.30 pm)
● Der Fliegenda Holländer: by Wagner. Conducted by Heinrich Hollreiser, production by Gustav Rudolf Sellner at 7 pm; Jan 31,

■ FRANKFURT

CONCERTS
Alte Oper Tel: (069) 1340 400
● Nnrth West German Philharmonie: with soprano Gail Gilmore, and conducted by Michail Jurowski plays a variety of operatic pieces at 8 pm; Jan 28

■ LONDON

CONCERTS
Barbican Tel: (0171) 638 8891
● Pierre Boulez: conducts the London Symphony Orchestra to play Debussy, Bartók and his own, 'Le Visage Nupital' as part of his 70th birthday celebrations at 7.30 pm; Jan 29
Festival Hall Tel: (0171) 928 8800
● Handel: Messiah: Charles Francome conducts the Royal Philharmonic Orchestra and soprano Turid Karlsen, contralto Ruby Philogene, tenor Hirohisa Tsuji and bass Hubb Claessens at 7.30 pm; Feb 1
● Philharmonia Orchestra: conducted by Lawrence Foster plays Rossini, Paganini and Tchaikovsky at 7.30 pm; Jan 30
● Royal Philharmonic Orchestra: with pianist Eliso Virsaladze and conductor Yuri Temirkanov plays Britten, Prokofiev and Shostakovich at 7.30 pm; Jan 31
● The London Philharmonic: jazz meets the symphony. Lalo Schifrin conducts this fusion of classical and jazz traditinns at 7.30 pm; Jan 29
● Vienna Philharmonic Orchestra: Bernard Haitink conducts Bruckner's Symphony No. 8 at 7.30 pm; Feb 2
GALLERIES
Anthony d'Offay Tel: (0171) 499 4100
● Andy Warhol: early drawings by the artist; to Jan 28 (Not Sun)
Barbican Tel: (0171) 638 8891
● Impressionism in Britain: the first comprehensive survey of the development of Impressionism in Britain. Over 200 works by over 100 artists including Degas, Rothenstein and Whistler; to May 7
Royal Academy Tel: (0171) 439 7438
● Poussin: over 90 works by the French artist. Centerpiece of the exhibition are the two series of tha 'Seven Sacraments'; to Apr 9
Serpentine Tel: (0171) 402 0343
● Man Ray: exhibition of works by the celebrated artist; to Mar 12
OPERA/BALLET
English National Opera Tal: (0171) 632 8300
● Figaro's Wedding: in house debut for conductor Derrick Inouye at 7 pm; Jan 28
● King Priam: a new production of Tippet'a opera that opens tha London festival - Tippet: Visions of Paradise, to celebrate the composers 90th birthday at 7.30 pm; Feb 3
● Rigoletto: Jnnathan Millar's updated version of Verdi's opera where tha duke is a mafia boss at 7.30 pm; Jan 27; Feb 1
Royal Opera House Tel: (0171) 340 4000
● Cosi Fan Tutte: by Mozart. A new production directed by Jonathan Miller. Conductor Evelino Pidó. In Italian with English surtitles at 7 pm; Jan 28, 31; Feb 3
● Giselle: music by Adolphe Adam. A Royal Ballet production choreographed by Marius Petipa after Jean Coralli and Jules Perrot and produced by Peter Wright at 7.30 pm; Jan 27
● Otello: by Verdi. Conductor Carlo Rizzi, director Elijah Moshinsky. In Italian with English surtitles at 7.30 pm; Feb 1
● Troilus and Cressida: by Walton. An Opera North production conducted by Richard Hickox and directed by Matthew Warchus at 7.30 pm; Jan 30; Feb 2
THEATRE
Barbican Tel: (0171) 638 8891
● Naw England: World premiere of Richard Nelson's new play. Nn performance 12-15th Dec., otharwise at 7.15 pm; Feb 3
National, Lyttelton Tel: (0171) 928 2252
● The Children's Hour: by Lillian Hellman, directed by Howard Davies at 7.30 pm; Feb 3
National, Olivier Tel: (0171) 928 2252
● Tha Merry Wives nf Windsor: by Shakespeare. Terry Hands directs his first production at the Natinnal. With Denis Quilley as Falstaff, Brenda Bruce as Mistress Quickly and Geraldina Fitzgerald as Mistress Ford at 7.15 pm; Jan 27, 28 (2 pm), 30

■ NEW YORK

GALLERIES
Museum of Modern Art Tel: (212) 708 9480
● Kandinsky: Compositions: exhibition featuring approximately 40 works including seven of the surviving 'Composition' paintings; to Apr 25
OPERA/BALLET
Metropolitan Tel: (212) 362 6000
● Cavalleria Rusticana / Pagliacci: by Mascagni/Leoncavallo. Production by Franco Zefirelli, conductor Christian Badea at 8 pm; Feb 1
● L' Elisir d' Amore: by Donizetti. Produced by John Copely, conducted by Edoardo Müller at 8 pm; Jan 28; Feb 3
● Le Nozze di Figaro: by Mozart. Produced by Jean-Pierre Ponnelle, conducted by James Levine at 8 pm; Jan 28 (1.30 pm)
● Simon Boccanegra: by Verdi. A new production directed by Giancarlo del Monaco. James Levina conducts the opening night cast nf Charyl Studer, Plácido Domingo and Vladimir Chernov at 8 pm; Jan 30; Feb 2
● Turandot: by Puccini. Produced by Franco Zeffirelli, conducted by Nello Santi at 8 pm; Jan 27, 31
THEATRE
Jean Cocteau Repertory Tel: (212) 877 0060
● The Cherry Orchard: by Chekov. A new production directed by Eve Adamson at 8 pm; to Mar 3

■ PARIS

CONCERTS
Champs Elysées Tel: (1) 47 23 37 21/47 20 08 24
● London Symphony Orchestra: with soprano Jessye Nnrman. Pierre Boulez conducts Berg, Bartók and his own compositinns at 8.30 pm; Feb 1, 2
● National Orchestra nf France: Charles Dutoit conducts Beethoven at 8 pm; Jan 27
● Viennese Philharmonic Orchestra: Bernard Haitink conducts Bruckner at 8.30 pm; Jan 30

■ WASHINGTON

CONCERTS
Kennedy Center Tel:(202) 487 4600
● Washington Chamber Symphony: Stephen Simon conducts Tower, Mozart and Mendelssohn at 7.30 pm; Feb 3
OPERA/BALLET
Washington Opera Tel: (202) 416 7800
● Semela: by Handel. Conductor Martin Pearlman. Roman Terleckyj directs a Zack Brown production at 8 pm; Feb 2
● Tha Bartered Brida: by Smetana. Conducted by Heinz Fricke. In English at 7 pm; Jan 30; Feb 1, 3
● Vanessa: by Samuel Barber. Director Michael Kahn, conductor Christopher Keena at 8 pm; Jan 29 (2 pm)
THEATRE
Arena Stage Kreeger Theater Tel: (202) 554 9066
● Hedda Gabler: Henrik Ibsen's drama, directed by Liviu Ciulai at 7.30 pm; from Jan 27 to Mar 19 (Not Mon)
Arena Stage, Fichandler Theater Tel: (202) 488 3300
● Long Day's Journey into Night: Eugene O'Neill's classic American drama, directed by Douglas Wager at 7 pm; to Feb 5 (Not Mon)
Kennedy Center Tel: (202) 467 4600
● How tn Suceed in Business Without Really Trying: co-productinn with the Kennedy Cenlar. Directed by Des McAnuff and starring Matthew Broderick as J. Pierrepont Pinch, the littla window-washer with hig corporate dreams at 8 pm; from Jan 29 to Feb 26 (Not Mon)

WORLD SERVICE

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17.30
Financial Times Business Tonight

Midnight
Financial Times Businass Tonight

Veil lifted on French losses

Andrew Jack on the impact of the commercial property crisis

As French companies prepare their 1994 results, the powerful impact of the current crisis in France's commercial property market is becoming ever more apparent.

While most leading European capitals have experienced recessions in their commercial property markets since 1990, observers have been surprised by the length and depth of the malaise in the French market.

Last week, Groupe des Assurances Nationales (GAN), the state-controlled insurance company, announced that it would need a substantial recapitalisation from the government to cover losses of FFr3bn (£362m) for 1994, almost entirely attributed to problems at a property financing subsidiary it owns.

This week, shares dropped sharply at Suez, the financial services and investment group, after Mr Gérard Worms, its chairman, warned that provisions against property losses of FFr2.5bn-FFr3bn would be needed for the year. "The [property] market, alas, has not recovered," he said.

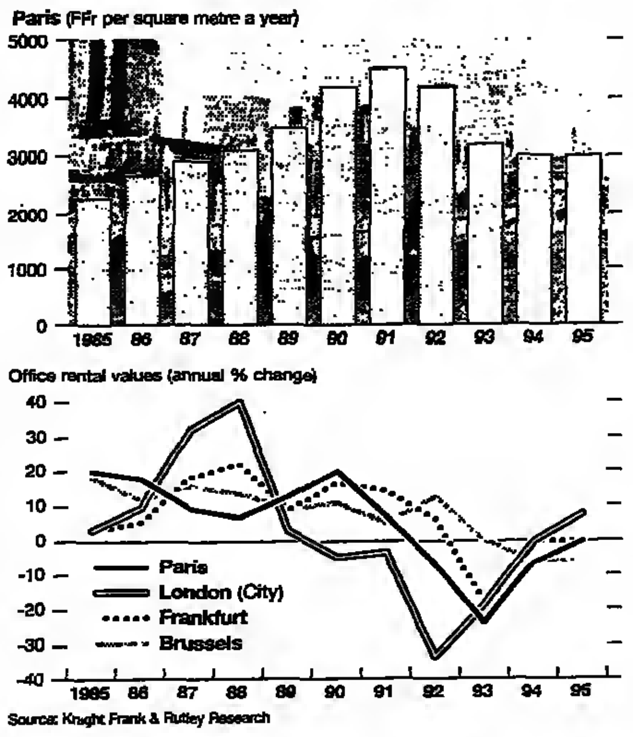
Since 1991, office rentals in Paris have fallen by more than a third, according to figures compiled by Knight Frank & Rutley, the chartered surveyors. Annual office rental values in Paris peaked at FFr4,500 per square metre in 1991 and have since fallen to FFr3,000.

"We have now perhaps reached the bottom, but the market is not beginning to recover yet," says Mr François Boutet, the firm's managing partner in Paris. "If you want a 500 square metre office at a good address for a reasonable rent, you have a choice of 700 possibilities at present. It's a tenants' market."

The company that appears to be hardest hit is Crédit Lyonnais, the state-owned bank that reported losses of FFr6.9bn in 1993, and a further FFr4.5bn for the first half of last year. Much attention has focused on fraud allegations in some subsidiaries, and loans to controversial individuals including Mr Bernard Tapie, the colourful businessman and politician. In fact, the main cause of its losses – which have already needed one government-backed rescue package – have been property investments.

The bank has real estate assets – including property loans, shares in property companies and direct ownership of buildings – on its balance sheet of FFr105bn. Of this total, some FFr51bn has been classified as non-performing or doubtful, meaning interest payments have stopped and it is unlikely to receive back the value of the assets it pledged.

Office rental values in key European centres



Source: Knight Frank & Rutley Research

The scale of these property losses is unique to Crédit Lyonnais, but the proportion of bad or doubtful debts to total loans is far from exceptional. For example, Mr Worms at Suez said recently that, of the group's FFr30bn property portfolio, FFr15bn may eventually be written off.

Even banks such as Banque National de Paris and Société Générale which so far claim more prudent lending records have had to make modest provisions in their accounts. Analysts think these banks may yet have to allow more against further losses.

One of the earliest signs of the extent of the property collapse came at Comptoir des Entrepreneurs, the state-controlled property company, which was provided with FFr5.5bn in financial guarantees by the French government in late 1993. Last December, it was forced to announce a second set of restructuring measures with guarantees for another FFr7bn.

Like Crédit Lyonnais and GAN, Comptoir has created a special "defeasance" structure that ring-fences the troublesome property loans, refinances them through specially created companies, and reduces their impact in calculations of the parent company's liabilities.

The crisis shows little sign of easing, and is spreading beyond the banks and insurers to other sectors. Earlier this month, for example, Générale des Eaux, the water, construction and communications group, announced that there would be losses of FFr1.7bn for 1994 in its Compagnie Immobilière Phénix property subsidiary, against losses of just FFr158m in 1993.

Much of the explanation for the collapse lies in investment by banks and developers during the late 1980s and early 1990s based on assumptions of escalating property prices that seem, with retrospect, hopelessly unrealistic. "The fees paid on property deals were very much higher than for corporate finance – maybe the margins were 10 times as high," says one banker. "People only looked at the margins and accepted too much risk. Prices were increasing for many years and nobody saw the arrival of the crisis."

The impact has been felt widely, because property has traditionally been seen as a far more attractive investment option than equities. At the same time, the recession has been much deeper than is usual in a country where the property market has generally been protected – partly through state intervention – from the extreme peaks and troughs seen elsewhere.

The market decline has taken a long time to be reflected in companies' results. However, a wave of senior management changes in the businesses most affected has helped bring losses into the open. The new managers have made a clean sweep of doubtful debts which their predecessors may have been more reluctant to expose.

For example, Générale des Eaux appointed Mr Jean-Marie Messier, a former partner with bankers Lazard Frères as managing director and heir-apparent late last year. Mr Jean-Jacques Bonnaud was appointed chairman of GAN last summer with a remit to prepare the company for privatisation.

Some companies appear to have believed that they could ride out the property crisis without having to take big provisions, says Mr Graham Warren, an insurance analyst with Goldman Sachs. "They wanted to fudge the losses by smoothing them over several years while waiting for prices to recover," he says. "But there has been no improvement and if anything a further deterioration."

Their hands have been forced by banking regulators and auditors, who seem to have started taking a tougher line on making provisions in the accounts for losses, despite historically weak rules defining when provisions need to be taken. Once a few large companies break ranks and take large provisions, it becomes more difficult for their peers to resist doing the same.

Ms Sheila Garrard, a banking analyst with Lehman Brothers, predicts that many French banks may still have to increase the proportion of doubtful property loans against which they have made provisions as high as 60 per cent.

The question now is whether the companies most affected are sufficiently covered to sit out the property crisis. They may have to hold their breath for some time to come.

Europa: **Michael Stürmer**

An open relationship

The special relationship that exists between Germany and France has earned the respect but also the occasional irritation of other European countries. The ties will remain even though, since the fall of the Berlin Wall, they have become less exclusive. One thing is certain: if Europe is to be more than simply a *de luxe* free trade zone, the Franco-German relationship – special or not – will be essential to the continent's future.

The nature of the links between Bonn and Paris has changed over time. While Germany was divided and vulnerable, France was one of the four powers that guaranteed Europe's post-war order.

In 1990, the French political class needed some persuading from Washington, as well as the shock of reality, to accept that German unity was unstoppable. Congratulations were sent to Bonn just in time.

Thanks to the joint efforts of the incumbents in Bonn, Paris and Brussels, the Maastricht treaty, agreed in 1991, promised a new equilibrium in the European Community in general and for the Bonn-Paris relationship in particular.

Since then, the Mitterrand-Delors-Kohl trio has kept Europe on track, signalled by the effort to draw up a common agenda for the German and French EU presidencies in 1994-95. But with Delors no longer in Brussels and Mitterrand in decline there are questions about the alliance's solidity.

Whoever is the next French president will have to redefine the substance and *modus operandi* of the Paris-Bonn link. But Mitterrand's successor will also value a relationship to which – as both sides know – there is no alternative.

France may work hard to preserve its role as *chevalier seul* in international affairs. The paradox is that this role can be upheld only through close economic and monetary co-operation with Germany.

On the wider European stage, Mr Jacques Santer, Mr Delors' successor, faces a balancing act. The Commission's jurisdiction is growing, yet in tomorrow's Europe the nation state will certainly not be reduced to a shadow. Mr Santer's Luxembourg heritage – above all, that small country's skill in dealing with the "elephants" it has for neighbours – will be an asset.

As for Germany, Chancellor Kohl is still in power, but his country remains a reluctant leader. The biggest economic player in Europe would like a permanent seat on the UN Security Council, yet it has still to find a role in the management of world affairs.

The psychology of the Franco-German relationship is beset by an intriguing asymmetry. In France, expressing basic doubts about Germany is considered poor style but is recognised as a potential source of votes. This was evident in the Maastricht referendum in France in September 1992, when both the *Oui* and the *Non* campaigns relied on arguments which were less than friendly to Germans.

In Germany, by contrast, anti-French language, either on stage or off, is viewed not only as politically incorrect but also as extremely foolish.

Over the last year or so, there have been clear divergences between France and Germany. The Germans view co-opting the countries of central and eastern Europe into the EU as being in their national interest as well as a wider European concern. France, on the other hand, is more worried about trouble in the Mediterranean basin, from Casablanca to Amman.

At a practical level, both countries believe in operating a "core group" for European integration, but on wider questions their philosophies tend to differ. The Germans still see Nato as the hub of European security, while the French are more ambivalent towards the alliance. While the Bonn government is slow to accept that the Europe of the future will consist of nation states, the French have never had doubts on this.

People in Britain hoping to exploit Franco-German differences should not expect much

People in the UK, however, out to capitalise on these disagreements, should not to expect too much. Despite the changes wrought by unification, the Franco-German bedrock, toughened by 40 years of co-operation, remains strong.

France was persuaded by the US after the second world war that European security depended on West German entry to the club. The neighbours on the other side of the Rhine, for their part, obliged the French by becoming the sort of Germans the French had always wanted: divided, integrated into Europe, without nuclear weapons or an army general staff.

No longer down and out, Germany became well-intentioned, well-behaved and, along the way, regained its economic strength. France, for its part, nursed its nightmares over Anglo-Saxon power but suffered from imperial overstretch while its economy was outperformed along the Rhine and the Ruhr.

The Elysée treaty of 1963 on Franco-German co-operation was an attempt by two old men, Charles de Gaulle and Konrad Adenauer, to salvage their dreams. Adenauer wanted to bind his successors to western Europe and to prevent the two nations from competing for favours at the Kremlin's door. De Gaulle wanted to harness Germany's industrial muscle to aid France's oversized defence effort. Above all, he wanted a companion in the revolt against America – a sad misunderstanding of the needs of divided Germany's strategic position.

How would Adenauer and de Gaulle have reacted to the present state of affairs? They would have accepted that both France and Germany are inescapably subject to the changing strategic configuration in a post-cold war world. That is why, in defence, the Franco-German relationship is being complemented by a Franco-British one. This is a development Germany should support, since the sun is setting on the *pax Americana*. A *ménage à trois* of Germany, France and Britain is needed if a meaningful common foreign and security policy is to be agreed.

Signs of European divergence are not hard to find: the rifts over whether Europe should tilt to the east or to the south, the clash of interests between free-traders and protectionists, and the differences over whether Europe should look to its own defence or depend mainly on Nato.

But against this background, strong ties between France and Germany can improve the climate for co-operation across Europe. As long as the Franco-German relationship is not an exclusive one, it deserves another life-cycle.

The author is director of Stiftung Wissenschaft und Politik, the German foreign affairs and defence policy institute.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'). Translation may be available for letters written in the main international languages.

Leading economist ideal candidate to head World Trade Organisation

From Professor T.N. Srinivasan and others.

Sir, You have repeatedly called for a wider search for a distinguished candidate to head the new World Trade Organisation. The reported stalemate among the existing candidates leads your views a fresh urgency.

As economists who have long supported the success of multilateralism and the Uruguay Round, we would like to affirm the need for a fresh search. The WTO is at a stage parallel to the design of the Bretton Woods institutions at the end of the second world war. Its leadership requires men and women of outstanding distinction, intellect, vision and commitment. The task requires capacity for architecture, not just political savvy.

In seeking fresh faces, we urge that the net be cast well beyond politicians and trade negotiators. Among the possible candidates, we would recommend particularly Professor Jagdish Bhagwati.

He is one of the leading economists today and has been described in your columns as "the doyen of economists working on international trade". Aside from scientific distinction, he has also had remarkable impact on policy.

The Indian economic reforms favouring liberalisation of trade and investment today can be traced back to his bold writings since the 1960s, while he also served as an adviser to India's finance minister last year on the direction and pace of the ongoing reforms. His research on trade policy of the developing countries, more generally in the 1960s and 1970s, is also recognised to have been among the most influential in exposing the problems with import substitution and autarkic policies at a time when the orthodoxy in favour of them held economists and policymakers alike in its iron grip.

Similarly, when it was fashionable to denounce the General Agreement on Tariffs and Trade as dead, Bhagwati held the ground with forceful arguments, leading Mr Arthur Dunkel, former director-general of Gatt, to describe him as "a rising star in that small constellation of economic thinkers and opinion makers that continues to make original and creative contributions towards the defence of the open multilateral trading system".

Mr Dunkel even created a new position at the Gatt to bring in Bhagwati as economic policy adviser to the director-general. Bhagwati held his position during 1991-93, giving him the necessary knowledge and experience of Gatt issues at a critical stage of the Uruguay Round.

Bhagwati's commitment to multilateralism, his sensitivity to threats to it, and the ability to provide forceful leadership on it, are also evident from his early fight against aggressive unilateralism. He also provided intellectual leadership in arguing the case against imposing import targets on Japan and threatening trade retaliation if such targets were not fulfilled.

His ideas again proved influential and these approaches have now been abandoned, with evidently beneficial effects for both bilateral US-Japan trade relations and the multilateral trading system.

On more recent WTO issues, such as the incorporation of environmental and labour standards as preconditions for WTO-guaranteed market access, Bhagwati has played a leading role in analysing them and raising the level of the debate on them. His 1994 Wincott Lecture in London is a forceful and clear analysis of these and other issues which the next director-general of the WTO must address.

Bhagwati has uniquely combined great distinction in the academic and the policy worlds, straddled the developing and the developed countries (Bhagwati comes from India and is now a citizen of the US) and has a lifetime of success in spotting important policy issues ahead of their time. He has helped to address them skilfully through private advising of governments and public advocacy in the form of witty and accessible articles in leading newspapers and magazines such as The New York Times, the *Financial Times*, The Wall Street Journal and The Economist. In so doing, Bhagwati has clearly demonstrated the credibility of his candidacy for the post of the director-general of the WTO.

We would urge, therefore, that a mechanism be found for ensuring this. Since governments must nominate and back candidates, Bhagwati would appear to be a candidate that India and the US could co-sponsor. We hope they will.

Professor Robert E. Baldwin, University of Wisconsin-Madison,
Professor Michael Boskin, Stanford University,
Professor Magnus Blomström, Stockholm School of Economics,
Professor Michael Connolly, Columbia University,
Professor (Lord) Meghnad Desai, London School of Economics,
Professor Robert C. Feenstra, University of California, Davis,
Professor Gene M. Grossman, Princeton University,
Professor Koichi Hamada, Yale University,
Professor Tatsuo Hatta, Osaka University,
Professor Lawrence R. Klein, Nobel Laureate, University of Pennsylvania,
Professor Charles P. Kindleberger, former president of the American Economic Association,
Professor Assar Lindbeck, Institute for International Economic Studies, Stockholm University,
Professor Robert E. Lipsey, City University of New York,
Professor Ian Little, Nuffield College, Oxford,
Professor Robert A. Mundell, Columbia University,
Professor Mancur Olson, University of Maryland,
Professor Gustav Ranis, Yale University,
Professor Paul Samuelson, Nobel Laureate, Massachusetts Institute of Technology,
Professor André Sapir, Free University of Brussels,
Professor T.N. Srinivasan, Yale University,
Professor P.K.M. Tharakan, University of Antwerp,
Professor James Tobin, Nobel Laureate, Yale University,
Professor Jean Waelbroeck, Free University of Brussels,
As from Economic Growth Centre, Yale University, 27 Hillhouse Avenue, New Haven CT 06520-8269, US

Multi-speed shopping

From Mr Malcolm Hurlston.

Sir, It is interesting to see the debate on shopping hours warming up in Germany ("Germans reopen door on shop hours debate", January 18). As was the case in the UK, retailers are split, with the do-it-yourself sector and many consumers taking the lead in advocating complete liberalisation (not yet on offer) and the small shops in the opposite camp.

Liberalisation in the German context makes no mention of Sundays, merely modest opening in the evening and on Saturday afternoons. With Spain debating the merits of its liberal regime on Sunday opening and the English debate fading in the memory, perhaps all this is demonstrating that a multi-speed Europe has merit where cultural and commercial priorities intersect.

Malcolm Hurlston,
Euroshop,
2 Ridgmount Street,
London WC1E 7AA, UK

Only a social connection

From Mr Rubens Antonio Barbosa.

Sir, Your article "Brown attacked over dealings" (January 25) says that Mr José Amaro Pinto Ramos is an adviser of the Brazilian President Fernando Henrique Cardoso.

I must clarify that President Cardoso is only socially acquainted with Mr Ramos and has no professional political connections whatsoever with him.

Rubens Antonio Barbosa,
Ambassador of Brazil,
Brazilian Embassy,
32 Green Street,
London W1Y 4AT, UK

Some water company directors' salaries should not attract criticism

From Mr Michael Swallow.

Sir, In view of the recent criticism of executive salary levels in the water industry reported in your paper I thought I should write to you and point out that the criticism is certainly not justified in the case of this association's member companies.

The Water Companies' Association represents at national level the interests of 20 water supply companies in England and Wales which collectively supply water to 25 per cent of the population.

Our members have always been in the private sector – some of them go back a century and more. As such they were not privatised in 1989, although the regulatory framework they operated under was changed to coincide with that established for the newly created water and sewerage companies.

Our companies vary greatly in size – the largest serving a population of 2.8m people (it is the seventh largest water supplier in the country) and the smallest a population of about 90,000.

Many of the chairmen of our companies are non-executive. None is paid more than £40,000 a year. The top executive pay is something above £100,000. Chairmen and executives of the smaller companies are paid considerably less than these figures.

Michael Swallow,
director,
The Water Companies Association,
1 Queen Anne's Gate,
London SW1H 9BT

THE FT INTERVIEW: Michael Portillo

Right path to power

Unlike many of his UK cabinet colleagues, Mr Michael Portillo gives the impression of feeling rather pleased with himself these days. Not without reason.

On a great number of issues, the government now appears to be humming if not singing along to the ideological tune of the employment secretary, its most prominent rightwinger. The Tory party faithful have hailed him as their new conference idol, and he is frequently talked of as a future leader.

Moreover, Mr Portillo, at 41, has time to think, and talk, about the Britain of the next millennium. As he makes clear during a rare interview in his pine-clad office, "Planet Portillo" is a more exciting, and still less secure, place than Britain seems today.

"I want to see the British people emerge into the 21st century, into a world in which I think there will be work and plenty of it, but in which work patterns will be quite different. Jobs for life will be rarer. People will change jobs, re-skill, re-learn. Provided they develop that habit early enough, that need not be a frightening prospect."

Mr Portillo's bracing message will not necessarily soothe the voters of Middle England. But it reflects his belief that the state should play a strictly limited role in the economy.

"Throughout this century the state has been getting bigger, and I don't believe this is sustainable or desirable in the future," he says. "That doesn't mean that I want to abolish the state; it simply means that I want to influence the direction in which it is travelling."

At Employment, to which he was promoted from the Treasury last summer, Mr Portillo wants to hone the government's interventions in the labour market: "I think governments are better at destroying jobs than creating them ... We intervene where we think there is a market failure."

The symptoms of failure that most preoccupy him are the long-term unemployed, and the large number of young people with little education and no motivation to work. "We must enthuse and inspire them at a younger age to recognise they are not predestined [to fail], and that there are choices they can make, and that the government is there to help them make those choices."

Tony Andrews

Michael Portillo, UK employment secretary: 'I don't feel isolated'

So how does this translate into departmental action? Given his rhetoric, Mr Portillo is surprisingly cautious about meddling with the mix of training and work incentive programmes he inherited.

He supports the private sector-led Training and Enterprise Councils, set up five years ago – though feels they should do more to stress the "enterprise" in their title. He is keen on developing further measures to encourage the unemployed back into work, such as the job seeker's allowance that will replace unemployment benefit next year.

Mr Portillo is also anxious to compare notes on tackling unemployment with his European counterparts, with whom he is frequently at odds thanks to his strident championing of Britain's opt-out from the Maastricht treaty's social chapter. "Social affairs ministers should spend less time legislating and more time sharing experiences. I have no feeling at all that we have a monopoly of knowledge or understanding in this country."

The employment secretary is predictably unrepentant about his isolation in Europe: "In a broader sense I don't feel at all isolated. Around the world the language is of deregulation, free markets, free trade, privatisation, fiscal rectitude and tight monetary control." He cites a recent encounter with Brazil's labour minister: "He sounded more like a British employment minister than a continental one."

Does Mr Portillo, then, believe there is anything worthwhile about British membership of the European Union? Here he measures his words with particular care.

"I think there is every point in our being part of it. The strong arguments are that it is a large free-trading area with a highly developed market; it is an important economic bloc which can make its clout felt in the world. Beyond that, it offers structures in which we can co-operate to the extent we feel is sensible with our near neighbours on foreign and defence policy and the fight against terrorism, crime and drugs."

It is a minimalist vision, which most of Britain's partners would scarcely recognise. And Mr Portillo is adamant that the government should take a similarly uncompromising stance at next year's intergovernmental conference on the EU's future.

He is worried, for example, about the legal basis of a growing number of EU directives. He also wants to re-examine the powers of the European Court of Justice, whose "decisions have taken Community law in directions and to positions that we could not have predicted they would reach".

Judging by recent noises even from the government's more pro-European figures, Mr Portillo's views are gaining ground. He feels his position is the only basis on which the Tory party can unite on Europe. "That is what we have been about in the early days of this year: establishing a position of unity on the European question, which is really the only area on which the Conservative party has been split."

Mr Portillo believes the government can recover its current deficit in opinion polls. He recognises that sound economic management is a "necessary but not sufficient" condition for a fresh Tory victory.

"Beyond that, we need to prove to people that our health and education reforms have been a good thing. We will need to represent the sensible majority view about the future of the United Kingdom – both about its integrity against devolution to a Scottish parliament and regional assemblies, and against encroachment on our sovereignty by the EU."

And if all that does not work? Mr Portillo is clearly thinking beyond the next election. He talks in semi-messianic tones of "building the confidence of the British people", and of pride in Britain's achievements and position in the world. "I think people's natural horizon is further away than the next election, so a party that has an idea of the future and is preparing people for it is well placed to give people confidence, even in the short term."

Andrew Gowers and Robert Taylor

FINANCIAL TIMES

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Mexico's new responsibility

The $40bn package of US loan guarantees unveiled on January 12 was meant to inject confidence into Mexico's economy. So far, however, it has delivered nothing but more instability. The delay can be blamed on the US Congress. The fact that investors in Mexico are looking outside the country for reassurance cannot.

President Ernesto Zedillo is under pressure on both sides of the US-Mexican border. Outrageous demands from "nativist", or isolationist, US politicians have provoked an equally nationalistic response in Mexico. Understandably, many Mexicans recoil at the idea of being held hostage to US requests for stricter immigration controls or a re-appraisal of parts of the North American Free Trade Agreement.

As Federal Reserve chairman Mr Alan Greenspan forcefully argued in the Senate yesterday, restoring confidence to the Mexican regime is in US interests. If it is passed in next week's House and Senate votes, the $40bn will help solve the Mexican government's most immediate problem: the roughly $25bn in dollar-denominated government debt maturing in coming months. A failure to cross that first hurdle would be cataclysmic for Mexico's chances of getting on to a stable growth path. But two more obstacles remain: the credibility of the government's new macroeconomic strategy and, closely related to this, the solvency of its domestic banking system.

Investor rebellion

The scale of the flight out of Mexico has doubtless been excessive. But it is becoming increasingly clear that the Mexican government courted the investor rebellion that began in December, not merely by bungling the devaluation. As the Harvard economist, Professor Jeffrey Sachs, has pointed out, the Mexican government adhered too long to an overvalued exchange rate peg for fear of losing foreign investors' trust. At the same time, it appears to have dodged the domestic consequences of defending the peg, higher interest rates, by sporadic and unsustainable expansion of domestic credit

This casts doubt on the independent central bank's capacity to stick to the monetary target at the heart of the new economic strategy unveiled at the end of last year. As long as the government's new regime lacks credibility, interest rates will remain punishingly high and the quality of bank assets will deteriorate further. A nominal anchor for the domestic price level which won the trust of both foreign investors and domestic price and wage-setters would be very helpful. But it is not clear whether such an anchor is available.

Currency board

In the wake of last year's debacle, re-pegging the exchange rate would not inspire much confidence. Some argue that a currency board – along the lines of the Argentinian and Estonian systems – would be a sufficiently dramatic break with the past to make investors feel more secure. Pledging that all of the domestic monetary base would henceforth be backed by dollar reserves, at a fixed rate of exchange, might indeed deliver price stability in the medium term. But it would bring high costs.

The long-term casualty would be the government's ability to respond to external shocks: conceivably a bearable loss for an economy increasingly integrated with its giant northern neighbour. But the short and medium term costs of of a currency board would also be substantial, perhaps even prohibitive. Even if one were to assume, bravely, that multilateral donors would back the new system, a majority of Mexicans would not. Ceding monetary sovereignty, in effect, to the US Federal Reserve would incur far greater nationalistic stirrings than the recent weeks' debates in Washington. If the currency board arrangement were not to instil confidence, the country might experience a depression caused by the collapse of the banking system following a headlong flight from the peso.

There is no magic bullet to solve Mexico's current problems. All it can do is try to persuade investors that it will pursue sound domestic policies in the wake of the crisis. With the US package in place, it might also be able to announce a somewhat more credible exchange rate policy than a pure float. Market confidence will return in time. The cost of this crisis is that words alone will not achieve it.

Cashing in connections

Lord Wakeham, the former UK energy secretary, who was responsible for the 1990 privatisation of regional electricity companies, has been appointed adviser to NM Rothschild, the merchant bank which acted for those companies. No doubt his first piece of advice was to warn Rothschild that his appointment could be controversial. Unsurprisingly, Labour has used his action to launch a fierce attack on the propensity of former ministers to cash in their contacts in the corridors of power for seats at boardroom tables.

That attack has widespread public support, partly because Lord Wakeham is just the latest in a long line of Conservative ministers to privatise their careers, often by moving to privatised utilities. Lord Tebbit, a former trade and industry secretary, joined the board of British Telecom; Lord Walker, a former energy secretary, became a director of British Gas; Lord Young, another former trade and industry secretary, joined Cable & Wireless; Sir Norman Fowler, a former transport secretary, became a director of National Freight.

Public anger has been greatest where ministers, such as Lord Wakeham, have joined companies which owe much to decisions taken while the minister was in office. Privatisation has been a fruitful source of such cases because the value of political contacts to businesses is greatest when the relationship between state and industry is undergoing radical change.

What should be done? Two decades ago, Lord Wilson, the former Labour prime minister, argued that these questions were "better left to the discretion and good sense of the individual concerned". That answer is no longer acceptable; standards demanded of public servants have risen.

Damaging approach

A complete ban on movement between political and commercial worlds would be a damaging approach. Arguably, there is too little interchange, particularly between the civil service and business, although more frequent exchanges will raise other tricky questions, as yesterday's consultation paper on a civil servants' code of conduct observes. Whitehall's political neutrality has traditionally been underpinned by its employees' view that they have a "career for life", and years of training in its ethical code.

As the links between public and private sectors multiply, and as scrutiny of public life grows, the UK must dispel the air of clubbiness from government relations with the private sector. First, it needs rules on a "cooling off" period for ministers. At present there are no such rules, beyond an admonition to "avoid any course which would reflect adversely on their or the government's reputation for integrity". It may also need to toughen the approach to civil servants' subsequent appointments; at present, they may face a two-year wait before accepting business posts, but there is room for much discretion in interpreting the rules.

Clear rules

In contrast, in the US, there are clear rules on the work which those leaving political posts may take up, and whom in government they may begin to lobby. On those terms, commuting between public and privete sectors is uncontroversial, indeed so common it is dubbed the "revolving door".

Second, it would help to dispel any suggestions of impropriety if UK procedures for awarding government contracts were more transparent. Third, there is a case for paying politicians more; a few, at least, have a plausibla case that they need a stint in the private sector to compensate for years on an MP's paltry salary.

The UK is not alone in beginning to grapple with these questions. In France, rules on civil servants entering the private sector were tightened last year, although ministers still face few restrictions. Some other European countries have blurred the boundaries between public and private sectors to an even greater degree.

By those standards, and even compared with UK examples from the 1980s, Lord Wakeham'e new appointment is unremarkable. But given growing public scepticism about the benefits of privatisation, the boundaries between what is and is not acceptable must be clarified. Public servants need to demonstrate thet they put the public interest before their own.

High hopes for formation flying

A joint venture to build regional aircraft in Europe is a step towards consolidation in a crowded market, says **Michael Skapinker**

The announcement yesterday that UK, French and Italian companies were launching a new venture to build regional aircraft carrying between 30 and 115 passengers was hailed by British Aerospace as "a great day for the European aerospace industry".

However, officials of British Aerospace, which is teaming up with ATR, jointly owned by Aerospatiale of France and Alenia of Italy, were far less ebullient in elaborating on why it was a great day.

"There won't be a miracle overnight," said Mr Mike Turner, chairman of commercial aerospace at BAe. "Regional aircraft won't start making money suddenly."

BAe's own regional aircraft operation has been a persistent money-loser. Fierce competition has depressed prices to the point where BAe is losing money on its Jetstream 41 30-seat turboprop in spite of having two years' orders.

The financial state of the regional aircraft operations of BAe's two state-owned continental European partners is less clear. It is highly unlikely, however, that they are finding the market any easier.

Mr Louis Gallois, president of Aerospatiale, said the joint venture, which has yet to be named, "is a new decisive step towards the highly-needed consolidation of the commuter aircraft industry in Europe".

Daimler-Benz Aerospace, the German group which was not part of the new grouping, indicated yesterday thet it regarded talk of European consolidation as parochial.

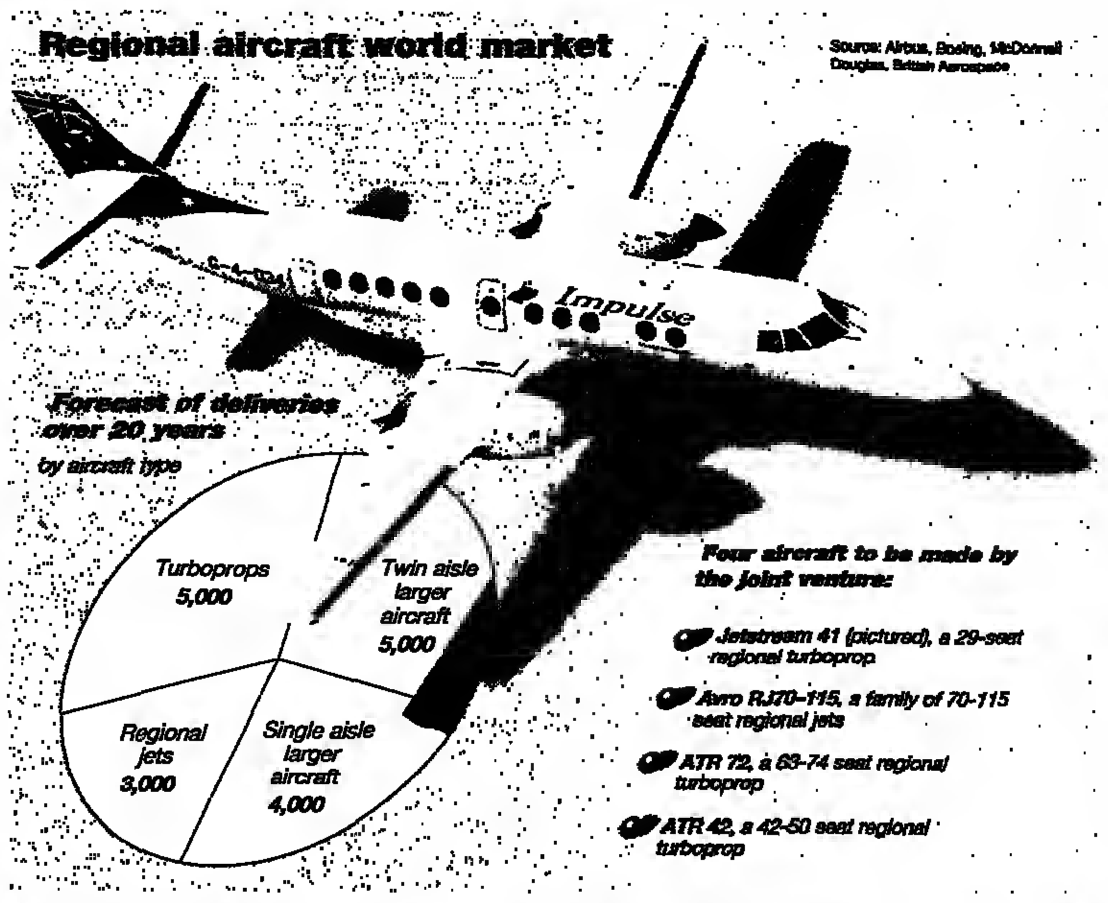
Mr Manfred Bischoff, its chairman-designate, said: "All-European solntions are no longer sufficient to safeguard the future. Daimler-Benz thinks it necessary to pass European borders and extend these activities to the Asian countries, the most rapidly growing economic region worldwide."

Mr Dick Evans, BAe's chief executive, said thet he, too, saw the need to include Asian companies in the long term. Yesterday's announcement should be seen as no more than a first step in reducing the number of competitors in a market one of his colleagues calls "crazy".

This persistent description of the regional aircraft industry as impossibly difficult is, at first sight, puzzling, since the business appears to be one where the best days are yet to come.

Small regional airlines are winning passengers at a far quicker rate than their larger rivals. Ms Deborah McElroy, vice-president of the Regional Airline Association of the US, estimates that her members' traffic rose by about 10 per cent last year. This compares with the Air Transport Association's figure of 5.3 per cent growth in large airline passenger traffic on flights within the US.

The European Regional Airlines Association says its members enjoyed 14.2 per cent average growth in passenger numbers in 1993 and a 14.6 per cent rise in the first nine months of 1994.



Mr Martin Craigs, president of Saab Aircraft International, the Swedish manufacturer, speaks of Asia, too, as being a glittering prospect for small aircraft. He says: "There's a massive untapped market that will come on stream to the next century. Europe's only option at the time of its economic revolution was surface transport. Asia's economic revolution will build commercial bridges in the air."

Mr Craigs concedes that making progress in the Asia-Pacific area has been difficult, accounting for fewer than 6 per cent of orders for 30 to 70 seat aircraft. He believes thet orders will increase, however, as Asian air passengers demand greater convenience in reaching their destinations. Almost all air passengers in south-east Asia travel via capital city hubs. Mr Craigs argues that the congestion and inconvenience will lead to demand for smaller aircraft which can carry passengers between provincial cities and towns.

One shadow cast over the growth in regional flights is the spate of recent fatal accidents in the US that has raised questions about the safety of smaller aircraft.

Last year, an ATR turboprop crashed while waiting to land at Chicago, killing all 68 passengers. Two months later, a BAe Jetstream Super 31 turboprop crashed during its final approach into Raleigh-Durham International Airport, killing 15 of the 20 passengers.

One industry insider concedes that, as most accidents occur on take-off or landing, smaller aircraft are likely to be involved in more crashes than larger ones; making shorter journeys, he says, they make more take-offs and landings per mile travelled than larger ones.

Ms McElroy says of the accidents: "I think it would be a bit naive to say they haven't had an impact." She argues, however, that travel on small aircraft is still very safe. Regional airlines made 4.3m flights last year in the US excluding Alaska, which she said accounts for only 2 per cent of regional traffic. Eleven of those resulted in accidents, of which three were fatal.

Few in the industry worry that safety concerns will significantly affect their market in the future. Yet there remains scepticism over the potential for making money out of small aircraft, despite tbe strongly growing demand for regional travel. Manufacturers say that the market is too crowded, and that they have to cut prices to sell their aircraft.

BAe yesterday produced a list of 17 manufacturers of regional aircraft, from Casa of Spain to IPTN of Indonesia. The number of regional aircraft manufacturers is more likely to grow than shrink, as developing countries establish their own aerospace industries.

"Everyone wants to enter the industry. They see it an entry into high technology," says Mr Simon Tudge, external relations manager at the European Regional Airlines Association. "They can't all start off building Boeing-747s. The entry costs for regional aircraft are much lower than for larger ones."

The problem, as BAe pointed out yesterday, is that while the cost of entering the regional aircraft market is low, the exit costs are high. BAe announced provisions of £250m for the cost of establishing the joint venture and phasing out the Jetstream 61. one of its turboprops.

But while the market for regional aircraft remains uncertain, the partners in the joint venture take some comfort from the success of Airbus Industrie, the European aircraft manufacturer in which both Aerospatiale and BAe have a stake. Despite years of scepticism about its prospects, Airbus is now profitable and last year had more orders than US rival Boeing.

Like Airbus, the regional aircraft venture will have its beadquarters in Toulouse. To start with, BAe and ATR will continue to manufacture their own aircraft, merging only marketing, sales and customer support.

Mr Evans insisted yesterday that the merger of these activities would prevent the joint venture from unravelling. None of the companies would bave direct contact with their customers, who would deal with staff from the joint venture.

The partners will begin to study joint manufacture of future models, under which each company would produce some components which would then be brought together for final assembly – as currently happens at Airbus.

BAe said yesterday tbat, with new manufacturers entering the cheaper end of the turboprop market, the joint venture might have to gravitate to more sophisticated aircraft. As BAe is the only one of the partners to make regional jets, this should ensure that the UK retains an important stake in the industry, despite the joint venture having its headquarters in Toulouse.

While the venture does not solve the problem of European financial losses in the sector, it does, says Mr Turner of BAe, "create a logical place where the future of the regional aircraft industry can be decided".

Hard route to recovery

There are tough tests ahead for BAe, says **Bernard Gray**

Mr Richard Lapthorne, British Aerospace finance director, has no donbts abont the significance of yesterday's announcement of a new European venture to develop regional jets.

"In 1992 British Aerospace had a list of problems as long as your arm," he says. "This agreement clears up the last big unresolved issue on our road to recovery."

Three years ago, the tasks in BAe's corporate in-tray inclnded securing the Eurofighter jet programme and the second stage of the Al-Yamamah arms deal with Saudi Arabia. BAe then had to decide the future of Rover cars, corporate jets, and its space, property and construction businesses, at the same time as sorting out its finances to restructure debts and rebuild reserves. "All of that," says Mr Lapthorne, "has now been done."

It has indeed been a long path from the dark days of 1992 when BAe had to write off £1bn in its regional jet business, slash its dividend and watch its sbare price plummet to about £1. At the time, some observers thought that the holes being blown in BAe's balance sheet would sink the company. The management's room for manoeuvre was limited.

Since then the recovery programme has involved controversial decisions, such as the sale of Rover cars to BMW of Germany; heavy job losses in a restructuring programme which has left few areas of the company untouched; and further buckets of red ink to pay for clearing up the problems. But, Mr Lapthorne maintains, the pain has been worth it because BAe has greatly improved the quality of its business and its balance sheet.

BAe's boiled-down strategy is now clear. Its £4bn defence business makes healthy profits, while Airbus has swung into profit and is generating cash as investment in the new generation of airliners starts to bring strong orders. The only thing stopping Airbus and defence profits flowing straight to BAe's bottom line is the loss generated by the poorly-performing regional aircraft business.

Both the regional jet and turboprop operations are losing money heavily – almost £200m in 1994 according to stockbrokers. But, as BAe acknowledged yesterday, while suffering the running losses is painful, getting ont of the regional aircraft business is agony. Aircraft manufacturing is perhaps unique because the costs of leaving do not stop with redundancies, stock write-offs and closure of factories. The existing fleet of aircraft continues to hang round the manufacturer's neck like an albatross. They have to be maintained and serviced, but more importantly, many of the aircraft are leased to airlines by the manufacturers themselves. Aircraft makers such as BAe will continue to have to find homes for the aircraft as leases expire throughout their service life.

BAe has at least capped its problem by eliminating the least economic of its regional aircraft, the Jetstream 61, and by putting its smaller turbo-prop, the Jetstream 41, and its regional jets into the joint venture. Eliminating the Jetstream 61 will save around £50m a year directly, while rationalisation and prodnctivity improvements should get at least the jet operation to break even in two years.

"At the low point, for every £1 profit BAe made in defence it lost 96p in regional aircraft," says Mr Peter Deighton, aerospace analyst at brokers Smith New Court. "Now it's down to 47p and if the new joint venture lives up to its potential it could be down below 20p in the pound within two years. Not only are regional aircraft losses falling, bnt defence profits will rise strongly in the next few years."

That improving financial performance will allow BAe to invest more in its main businesses in defence and the Airbus consortium. It is expected to renew its bid for VSEL, the Britisb snbmarine maker, once the Monopolies and Mergers Commission has examined the planned takeover.

BAe is also looking at ways of using private sector finance to fund the development of its share of the Future Large Aircraft, a new military transport project which the UK is rejoining. Other investment in defence will probably follow, and BAe may well encourage the new regional aircraft grouping to move to larger 100-seat aircraft based on jets, and away from the small turboprop sector of the market wbere overcrowding is worst.

With the fire-fighting over, BAe can turn its attention to the strategic question: how to secure the best position in a restructured European aerospace industry. Compared to the challenge of negotiating that thicket the work of the past three years looks like a Sunday afternoon stroll.

OBSERVER

Temptress trade

■ Put your shirt on it. Or rather, don't. Rick's Cabaret International is something of a hit among Houston nightspots. So much so that it wants to go public – the first topless bar to be traded on Wall Street.

The bar has filed plans with the Securities and Exchange Commission to sell equity valued at $4.9m, in an effort to get a Nasdaq listing. The cash will go towards constructing topless nightclubs in other cities.

With a turnover of $4.6m in 1994, Rick's reckons it's one of Houston's leading topless nightclubs, being especially popular with business types whose deal-making requires, well, seeing girls with no tops on. "More deals are done in topless bars than on the golf course," says Robert Jones, a manager at Rick's.

Rick's chairman, Robert Watters, naturally wants to keep an eye on things; so he plans to keep a 51 per cent stake.

On the piste

■ Where would you be if today you could attend a lecture on optimism, negativity and contemporary politics; tomorrow hear about the Huntington thesis; and on Monday get an update on fundamental understanding of the universe?

Where else but Davos, the Swiss ski resort where the annual meeting of the World Economic Forum kicked off in typically pretentious style last night, with President Bill Clinton drawling to the assembled worthies via satellite?

As always, there is a big turnout of minor heads of state and major government ministers, though Boris Yeltsin decided to stay at bome and there is not a Mexican to sight.

It all winds up on Tuesday evening with a discussion featuring Jacques Delors on nothing less than the fundamental values needed to face the 21st century. Unmissable stuff.

Lucky legs

■ Thanks to Sara Lee, the giant US consumer product group which sells not only calorie-laden cakes but also useful slimming corsets, for the latest in corporate-speak. "Worldwide legwear units declined 4 per cent," says the company – meaning that sales of attire for the lower limbs are down. Even worse, it adds that a rise in sock sales hides a greater drop in sales of sheer hosiery. Tights fall down – but socks can be pulled up. So get cracking.

Getting higher

■ Ernest Mario, Glaxo's former boss, can be forgiven for feeling like a hunted man. Glaxo is shelling out $535m for Affymax, a biotech company. Affymax was started by Alejandro Zaffaroni, one of the legends of northern California's biotechnology industry. It is not Zaffaroni's first venture in the field. He set up Alza (short for Alejandro Zaffaroni) – now run by Ernest Mario. Alza is more than three times as big as Affymax, but its shares have been a dismal performer since Mario climbed aboard. Glaxo's latest move could highlight Mario's vulnerability.

Trying Turner

■ Most former Olympic venues grow empty and dusty with time, trying their best to live on past glories. Not Lillehammer.

The Norwegian town that hosted the winter games a year ago is negotiating with Ted Turner's Broadcasting System to stage the first ever winter version of the Goodwill games in 1996. The news somewhat overshadowed this week's meeting of the International Olympic Committee in Lausanne, where the IOC was choosing a short-list for the 2002 winter Olympics.

Senior Olympics figures have been irritated by the Goodwill games since the first, in Moscow 1986. The three since then have all been summer events.

Turner's original notion was to upstage the era of east-west boycotts during the cold war by producing an "Olympics without politics", with a primarily Rnssia-US focus. The games also provide handy sports material for TBS. Nevertheless, the St Petersburg edition of the Goodwill games last year is understood to have lost TBS $39m.

Meanwhile, Turner's bid for a controlling stake in the NBC network is stalled but not yet dead. If it succeeds, he will become the owner of the US broadcasting rights to the Atlanta '96 Games – turning up once more right in the IOC's face.

Get real

■ Mexican frustration with the US Congress has reached a level unseen since the debate over ratification of the North American Free Trade Agreement. Foreign minister Jose Angel Gurria, not known for biting his tongue, let his frustration rip the other day.

Speaking to the Mexican congress, Gurria – under pressure from the opposition to explain why US congressmen were being so hostile to Mexico – opined: "I would say that the typical US politician is not necessarily someone who is very conscious of international subjects. Even supposing that they know exactly where Mexico is on the map . . . they lack information about what happens in Mexico."

That may be a realistic assessment. But as T.S. Eliot put it, human kind cannot bear very much reality.

Financial Times

50 years ago

Brokers may strike
Brussels: More than a thousand Belgian stockbrokers are threatening to go on strike and postpone the reopening of the four national Bourses.

Talks are going on between M. Camille Gutt, the Finance Minister, and stockbrokers on new regulations concerning stock and share quotations and on the stockbrokers' claim that they alone should constitute the machinery for transactions.

In order to get a solid front in the presentation of their claims, 1,250 stockbrokers of the Brussels, Antwerp, Ghent and Liege Bourses are holding local meetings. Antwerp stockbrokers begin their session on Monday.

The Antwerp newspaper La Metropole writes as follows: "Many stockbrokers speak of nothing less than a strike in the event of their demands being rejected."

Bethlehem Steel
New York: Bethlehem Steel Corporation reports net income of $36,167,723 for 1944, equal to $9.93 per common share. This compares with $32,124,592, or $8.58 per share for 1943.

The Financial Times was not published on Sunday, January 27 1895

FINANCIAL TIMES
Friday January 27 1995

Rocket explosion blow to China's satellite plans

By Tony Walker in Beijing and Krishna Guha in London

The explosion yesterday of a Chinese rocket carrying a telecommunications satellite has dealt a serious hlow to China's satellite launch programme and the aspirations of international broadcasters in Asian and north African markets.

Witnesses said the Chinese-designed Long March 2E rocket appeared to explode, rather than the $160m Apstar 2 satellite huilt hy Hughes Aircraft. A Hughes spokesman said an investigation would be undertaken.

Among the subscribers to the satellite were Turner Broadcasting, Reuters Television, Television Broadcasters of Hong Kong and sports channel ESPN.

Insurance losses from satellite launches in 1994, including two in China, reached $770m, outstripping the premiums collected and prompting a satellite underwriter at Lloyd's to warn that rates would increase.

China's satellite programme is a source of national pride and the launch was broadcast live on Chinese television. But the signal was cut off before the hlast with no explanation. Less than a minute after a smooth lift-off, there was an explosion, apparently during separation of the boosters.

Last month China also lost the East-Is-Red 3 orhiter, designed and built in China, soon after launcb. In December 1992 an attempt to launch a satellite for Australia's Optus network suffered a similar fate when the orbiter was lost in space.

Beijing is keen to win a substantial share of the global launch market hy undercutting the prices of its European and US rivals by as much as 50 per cent. China had planned to launch 30 satellites by 2000, hut further disasters may dampen its ambitions and the enthusiasm of subscribers.

The Apstar 2 satellite was to provide television, telephone and digital communications to Asia, eastern Europe, North Africa and Australia. It was capable of carrying 100 digitally compressed television channels and would have enahled hroadcasters to reach ahout two-thirds of the world's population with programming tailored to local cultural and political sensitivities.

In Beijing, the representative of a US company with space on Apstar 2, described the disaster as a "huge setback for all of us".

It is understood that the loss of the satellite will hamper the expansion of Reuters Television in Asia. Apstar 2's broad "footprint" cover, extending from Japan to northern Australia, and the advantages of compression technology, offered an ideal vehicle for Reuters' expansion. The company had booked a 24-bour slot on the satellite.

Reuters is in contingency discussions with APT Satellite, a Hong Kong-based owner of the Apstar satellites. The launch of Reuters Financial Television in Japan, scheduled for May, should not be affected.

A spokesman for Discovery, one of the US broadcasters with a slot on the Apstar 2 satellite, said: "It is unfortunate, particularly for the Chinese and their efforts to hreak into the commercial satellite business. For us it is a bump along the road."

The launch involved the Long March 2E rocket which is capahle of carrying the largest payload among China's Long March generation of launch vehicles.

Insurance implications, Page 8; Alcatel Espace wins satellite contract, Page 8

Germany announces DM3bn plan to boost jobs

By Judy Dempsey in Bonn

The Germao government yesterday unveiled a DM3bn ($1.98bn) wage snbsidies programme aimed at creating jobs for the long-term unemployed.

The programme, which followed the first round of special round-table talks this week between Chancellor Helmut Kohl, ministers, employers and trade union officials, involves a DM3bn package spread over four years. According to Mr Friedrich Bohi, the chancellery minister, about 180,000 jobs will be created during this period.

The agreement, which had not been anticipated by the unions, coincides with a new round of wage oegotiations across most sectors of the economy.

Mr Bohl also said the government would revive a separate and smaller joh-creation programme scrapped last year. The programme will oow be exteoded until 1999.

The DM3bn package will involve employers setting up new retraining programmes anó job creatioo schemes. They will be granted wage subsidies as high as 80 per cent of pay for training people who have heen out of work for more than three years.

Some 32 per cent of the country's unemployed, or 797,600 people, have been unemployed for more than one year, many of them following redundancies in the steel and car industries and manufacturing sector in west Germany. More than 2.5m, or 8.2 per cent of the region's workforce, are unemployed. In the five eastern states the figure is more than 1m, or 13.5 per cent of the labour force.

Mr Bohl said the DM3bn package would not be financed through the budget. He said much of the funding would come from the federal labour office and the lahour ministry hudget.

The measures were immediately welcomed by employers and unions. Mr Dieter Schulte, leader of the German Federation of Trade Unions (DGB), said: "All participants agreed that economic recovery must not pass the unemployed by. We must do everything to hring down the level of unemployment and ensure that people who have been pushed to the fringe of the labour market are given the prospect of a joh."

According to government officials, the job-creation measures are intended to pave the way for agreement on moderate wage settlements and acceptance by the unions of a four-day week, linked to the phasing in of Saturday work.

Last year, IG Metall, the steel and engineering union, agreed to a 2 per cent pay increase and 36-hour week. The union this year wants a 6 per cent increase, but appears willing to focus more on creating extra jobs.

London exchange to halt trades in sensitive shares

By Norma Cohen, Investments Correspondent

The London Stock Exchange will from today order a halt to dealings in the stocks of companies when it believes that trading has been stimulated by leaks of price sensitive information.

The move, which it is empowered to make under its rules, brings it into line with exchanges in other financial centres in the US and Europe.

The exchange also said it would increase the use of its powers to declare share prices "indicative". This means market makers will not be obliged to buy and sell shares at prices they display electronically, protecting them from potential losses.

A recent upsurge in bid activity has highlighted several instances where target companies' share prices have risen sharply in advance of a pnblic announcement. An exchange official said yesterday the new rules were intended to ensure that London kept its pre-eminent position as the centre for international share dealing. Unless investors could feel confident that trading was fair and conducted in an orderly fashion, they would be reluctant to transact business.

However, the exchange added that the power to order trading halts would be limited to a 24-hour period and would be used only when there was unusual volatility in the price and volume of trading which was not apparent among other stocks in the same sector.

At present, trading in a company's shares may be suspended, but only at its own request. They may remain suspended for months, leaving investors unable to sell their stakes. Institutional investors regard this system as unsatisfactory because it does not address situations where frantic trading takes place immediately prior to price-sensitive announcements. Investors who buy or sell in that period may be harmed if they trade without benefit of the inside information.

The exchange rejected an option to excercise the power to unwind trades it believed had been conducted with the benefit of inside information. In the US, self-regulatory bodies have these powers which rely on civil, rather than criminal proceedings. The exchange said there were legal obstacles to this.

Mr Michael Lawrence, chief executive at the exchange for the past year, has made the improvement of the exchange's regulatory powers a priority. A document published last October identified 7,000 instances where a stock price had hehaved in an unusual fashion.

BAe to put Jetstream into joint venture

Contінued from Page 1

phase is successful.

BAe is writing off £250m as a result of the Jetstream closure.

At the same time the company announced its profits for 1994 would be £185m before the one-off charge, and that it would raise its dividend by 20 per cent.

Mr Mike Turner, chairman of BAe's civil aerospace division said: "This creates a logical place where the future of the regional aircraft business can be decided." Mr Louis Gallois, president of Aérospatiale, said: "It is a decisive step towards the mnch-needed consolidation of the commuter aircraft industry."

However, a spokesman for the Dutch regional aircraft maker Fokker, which is controlled by Daimler Benz Aerospace, was sceptical about the deal. "This alliance is no solntion to the overcapacity in the regional aircraft market, because there is little overlap between the two groups' prodncts," he said.

The new venture will have a range of four aircraft, the 30-seat Jetstream 41 made by BAe, the 40-seat ATR42 and 70-seat ATR 72 and the 70-115 seat RJ family of jet aircraft.

Mr Turner said that with the changes, and improvements in prodnctivity, the RJ family should break even by 1997, but that the Jetstream 41 would probably remain in loss.

THE LEX COLUMN

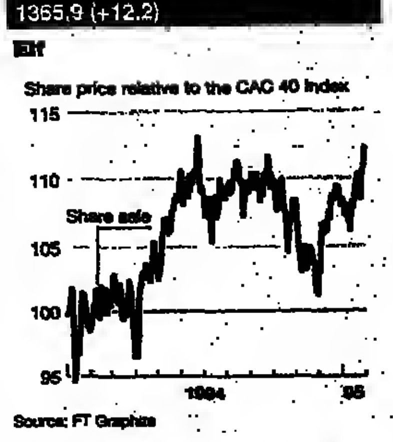
Elf's self-help

Elf's FFr8.7bn ($1.66bn) provisions show that the new management is determined to clean up the errors of the past. As such, yesterday's 5 per cent jump in its share price is deserved. Asset write-downs, which account for the hulk of the provisions, indicate Elf's willingness to sell non-core businesses and so cut its debt – even if that means incurring losses. Elf generated FFr6bn from asset sales last year net of acquisitions and is promising a further FFr5bn this year, mainly from disposing of Texasgulf's phosphate business. The group is also showing the benefits of cost-cutting, which is why earnings before provisions were up in 1994 despite low oil prices and narrow refining margins.

Elf's shares clearly have scope for a re-rating of the sort enjoyed by BP since it began to cut costs. But first Elf must prove its willingness to push through to the next, more difficult stage of restructuring. More costs need to be cut, hut they are mostly in France and Germany where joh shedding is expensive and hard. It is mildly disappointing that, of yesterday's provisions, only FFr700m and FFr500m relate to refining and marketing in France and Germany respectively.

Similarly, root-and-branch restructuring would involve selling Elf Sanofi, its healthcare subsidiary. Given the wave of mergers in the world drugs industry, Elf should ohtain a good price. Until the management takes appropriate action in these areas, further increases in the share price are hard to justify.

FT-SE Eurotrack 200: 1365.9 (+12.2)



Source: FT Graphite

Glaxo

It is hardly surprising that the board of Wellcome should reject Glaxo's takeover hid, despite the aggressor's support from the Wellcome Trust. Wellcome's directors are clearly reeling from their betrayal hy their 40 per cent shareholder, and attempts at talks with the Trust have been rebuffed. In the circumstances, their only sensible option is to do their utmost to hring in a white knight.

The stakes are high for Glaxo. Profits from Zantac, its largest source of earnings, are faltering, in marked contrast with analysts' projections. Its argument for consolidation within the pharmaceutical industry is compelling. And despite the slide in Glaxo's post-bid share price, the takeover would he well worthwhile if it achieved the suggested £1bn ($1.56bn) of cost cuts. The Affymax acquisition looks sensible, but pales beside the significance of a Wellcome deal. There is every expectation that Glaxo would trump any counter-bid.

Robert Fleming, the Trust's adviser, is therefore left in a slightly awkward position. Little has happened to make Fleming reverse a recommendation that the Trust signs an irrevocable commitment today. Nonetheless, Glaxo will have to continue its bid regardless, so the Trust has nothing to lose in not signing, apart from delayed receipt of its £3.5bn proceeds. There still seems to be only an outside chance of a counter-bid, given the size of the price tag and the 1997 expiry of the US patent on Wellcome's core product, Zovirax. But the Trust can only gain from creating a more open contest for potential white knights.

C&W/Veba

The speed with which Cable & Wireless shareholders rushed to sell their paper to Germany's Veba is an indictment of the financial logic of the tie-up between the two groups. C&W has given its hlessing to Veba's taking a 10.5 per cent stake in the group without paying any premium. The company may argue that Veba could not be charged a premium since it was buying shares in the market. But Veba has gained influence through its board seat – something it could not buy in the market. And C&W's protestations that the seat has nothing to do with the stake are hard to credit. Otherwise Lord Young, C&W's chairman, would be sitting on Veba's board too.

The industrial logic of the partnership is mixed. Veba should help open doors in Germany, though it still has to win a telecoms licence. In the rest of Europe, the partnership looks weak. The most that can be said is that the groups' stakes in personal communications licences in the UK, France and Germany may at some stage be linked.

The Veba/C&W deal is the third big German telecoms alliance in recent weeks, following the Viag/BT and Thyssen/BellSouth link-ups. The speculation is that RWE will now team up with AT&T. With such industrial might preparing for battle, competition will be intense when the market is fully open in 1998. Given Deutsche Telekom's high prices, new entrants should find it easy to win business. Unless Telekom shows determination to smarten up its act, the government may not obtain a good price in next year's privatisation.

Inchcape

Inchcape's second trading shock in less than a year says more about its business than its management. The group has had a long and fruitful relationship with Toyota. But Japanese car manufacturers lost 6 per cent of their European market share last year as the strong Yen eroded competitiveness. At the same time, Toyota has been over-exposed to the luxury end of the car market, and has missed out on the key area of UK sales growth, mass fleet purchases. Retail sales in the UK, excluding fleet purchases, fell by 11 per cent in the last three months of 1994. The result is shrinking margins in a low margin business. And with no substantial change in Toyota's vehicle range until late 1996, sales will remain under pressure.

Yesterday's 21 per cent share price fall, however, came more from the performance in Hong Kong. The colony's car dealers took a hit from increased import duties last August. However, luxury purchases in Hong Kong tend to be correlated with local investor confidence. Falling property and stock prices had been matched by declining profits in one of Inchcape's most important markets. And the outlook remains highly uncertain.

Add in loss of earnings from the discontinuation of its Toyota China business and a £6m loss on currency translation, and 1994 looks rather gloomy. This serves to emphasise that Inchcape is exposed to substantial trading risks that are hard to predict and outside its control. In the circumstances, its fall to a market discount rating seems deserved.

Additional Lex Comment, Page 19

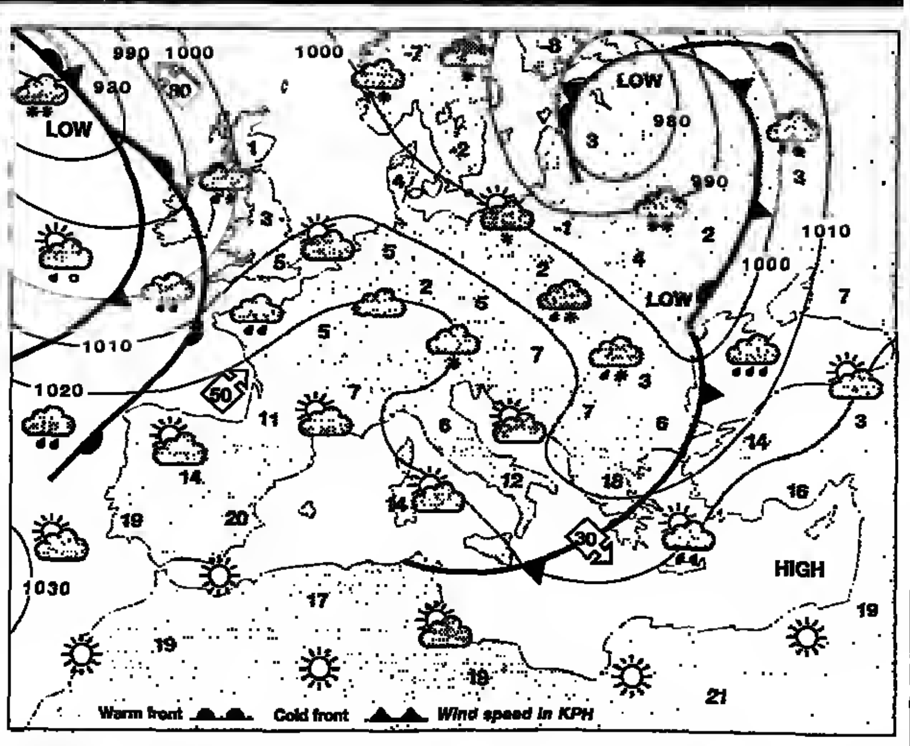
FT WEATHER GUIDE

Europe today

An active disturbance over the Atlantic will bring cloud and rain into the British Isles, western France and north-western Spain. Sections of Scotland will even have some snow which will change to rain, combined with strong gales from the south-east. A mixture of cloud and sun is expected over central and eastern Europe with scattered showers of rain or snow. High pressure will dominate eastern and southern Spain and Italy causing rather sunny conditions with temperatures reaching 20C in southern Spain. Meanwhile, a front will move across the Balkans bringing rain to Romania, Greece and western Turkey.

Five-day forecast

Active disturbances will continue to move across the British Isles into the North Sea and on towards southern Scandinavia. These areas will have plenty of rain with only a few sunny spells. Rain is expected in central Europe too, with unseasonably high temperatures. Southern Spain and southern Italy will be very sunny but unsettled. A mixture of sun, cloud and showers is expected over Greece and Turkey.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum Celsius																
			Beijing	sun	3	Caracas	fair	29	Faro	fair	15	Madrid	cloudy	13	Rangoon	fair	29
			Belfast	rain	5	Cardiff	rain	7	Frankfurt	shower	4	Majorca	sun	17	Reykjavik	cloudy	-3
Abu Dhabi	sun	23	Belgrade	rain	5	Casablanca	sun	17	Geneva	fair	6	Malta	fair	17	Rio	rain	32
Accra	fair	32	Berlin	cloudy	5	Chicago	fair	1	Gibraltar	sun	18	Manchester	rain	3	Rome	sun	14
Algiers	fair	19	Bermuda	shower	19	Cologne	fair	3	Glasgow	sleet	2	Manila	fair	30	S. Frsco	fair	13
Amsterdam	shower	5	Bogota	fair	22	Dakar	fair	25	Hamburg	shower	5	Melbourne	shower	28	Seoul	fair	0
Athens	fair	18	Bombay	hazy	31	Dallas	shower	18	Helsinki	snow	-3	Mexico City	fair	21	Singapore	shower	31
Atlanta	cloudy	13	Brussels	fair	5	Delhi	sun	26	Hong Kong	drzzl	17	Miami	sun	24	Stockholm	sun	-3
B. Aires	fair	30	Budapest	fair	7	Dubai	sun	24	Honolulu	fair	28	Milan	sun	8	Strasbourg	cloudy	5
B.ham	rain	3	C.hagen	fair	3	Dublin	rain	10	Istanbul	fair	13	Montreal	snow	-14	Sydney	shower	22
Bangkok	fair	33	Cairo	sun	15	Dubrovnik	rain	12	Jakarta	shower	30	Moscow	snow	-1	Tangier	fair	17
Barcelona	fair	14	Cape Town	fair	25	Edinburgh	sleet	2	Jersey	rain	11	Munich	cloudy	4	Tel Aviv	fair	17
									Karachi	sun	28	Nairobi	fair	26	Tokyo	fair	8
									Kuwait	fair	17	Naples	sun	14	Toronto	fair	-1
									L. Angeles	sun	19	Nassau	sun	26	Vancouver	shower	9
									Las Palmas	fair	21	New York	sun	4	Venice	sun	12
									Lima	cloudy	29	Nice	sun	14	Vienna	fair	7
									Lisbon	cloudy	16	Nicosia	fair	15	Warsaw	shower	4
									London	rain	6	Oslo	sun	-2	Washington	sun	6
									Lux.bourg	cloudy	3	Paris	rain	6	Wellington	rain	19
									Lyon	fair	5	Perth	fair	25	Winnipeg	fair	-8
									Madeira	fair	15	Prague	shower	3	Zurich	shower	3

FINANCIAL TIMES
COMPANIES & MARKETS
Friday January 27 1995

IN BRIEF

Record quarter for Sara Lee

Sara Lee, the cakes-to-corsets group, announced record earnings in its second quarter. Net income rose 6.9 per cent to $252m and all four divisions achieved double-digit sales growth. Page 17

Hochtief to challenge watchdog ruling
Hochtief, one of Germany's largest construction companies, has vowed to challenge a ruling by the country's competition watchdog that blocked Hochtief's plan to increase its stake in its main domestic competitor. Page 16

Gillette sharpens up
Gillette, the US razors, toothbrushes and pens group, reported record fourth quarter and annual profits with net income ahead 18 per cent in both tha final quarter and the year. Page 17

Coca-Cola rises 22%
Strong growth in its expanding overseas markets helped Coca-Cola, the US soft drinks company, lift net income 22 per cent to $567m (£363m) in its fourth quarter. Page 17

Dow Chemical doubles
Operating profits at Dow Chemical rose 100 per cent to $637m for the final quarter, on sales up 22 per cent at $5.5bn. Page 17

JP Morgan may shed 1,700 jobs
J.P. Morgan, the New York-based bank, is planning to cut 10 per cent from its costs, which could lead to about 1,700 job losses around the world. Page 17

Smooth take-off for Delta
Delta Air Lines, the third-biggest US carrier, reported a sharp improvement for the quarter to December. However, Continental and Southwest suffered downturns in their financial performance. Page 17

United Technologies jumps 20%
Net income at United Technologies, the diversified US manufacturing group, jumped 20 per cent jump last year in spite of shrinkage in its aerospace business. Page 17

Mixed fortunes for US drugs groups
Schering-Plough, the US pharmaceuticals group, recorded an 11 per cent jump in sales in the final three months of last year, while rival Upjohn saw sales continue to slip in the US. Page 18

Inchcape shares fall on warning
Inchcape shares plunged by more than 20 per cent yesterday, by 82p to 311p, as the international marketing and services group warned of a 10 per cent fall in profits for 1994. Page 19

Strong December sales for M&S
A strong December helped Marks and Spencer, the food and clothing retailer, lift UK third-quarter sales 6.7 per cent. Page 19

Ooh-ah!
Eric Cantona's angry response to an opposition supporter's taunts provoked a reaction in the share price of his football club, Manchester United, which saw its shares fall 5p to 126p. Page 19

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Deutsche Bab	191.8	+	5.3
Kali & Salz	188	+	4.6
Falls			
Asko Prf	820	–	25
Bil & Berg	709	–	9
Heideib Zem	1106	–	34
SAP AG	1091	–	23
NEW YORK ($)			
Rises			
Amsco	13⅛	+	1⅛
Hillhaven	26½	+	3⅛
Lotus Dev	43⅜	+	2⅜
Falls			
Bausch & Lom	32⅞	–	2⅛
Cyrix	24⅜	–	1⅜
Transam Wste	320	–	100
LONDON (Pence)			
Rises			
Euro Disney	146	+	13
Unitech	391	+	26
Wellcome	986	+	32
Falls			
Inchcape	311	–	82
Norish	80	–	18
Unipalm	122	–	11
TORONTO (C$)			
Rises			
ATS Autom	7⅞	+	½
Home Oil	15⅛	+	1
Pinkres Sys	14½	+	1⅞
Falls			
Alldis Comm	7½	–	1
BNT Ltd	13⅝	–	⅜
Cabletel Com	9½	–	1⅛

PARIS (FFr)			
Rises			
Banc Comp	479.9	+	8.1
Bouygues	531	+	12
Ecco	590	+	11
LVMH	829	+	31
Sagem	2598	+	78
Falls			
Simco	409	–	11
TOKYO (Yen)			
Rises			
Mitsui Pet	770	+	32
Mori Seiki	2170	+	170
Falls			
Chiba Bank	835	–	25
Daikyo Inc	687	–	35
Jusco	1870	–	120
Kyotaru	743	–	36
HONG KONG (HK$)			
Rises			
Miramar Htl	13.9	+	0.9
Shun Tak	4.58	+	0.43
Sime Darby	9.15	+	0.45
Falls			
Logic Intl	1.10	–	0.21
Wing Hng Bnk	12.0	–	2.0
Wing Lng Bnk	43.0	–	4.3
BANGKOK (Baht)			
Rises			
Saico	14.25	+	0.75
Thai Glass	91.0	+	8.0
Thai Pres	240.0	+	20.0
Falls			
Eastrn Wire	36.0	–	3.5
Thai Iryo	18.0	–	1.5
Thai Fin	108.0	–	12.0

New York and Toronto prices at 12.30pm.

Cable and Wireless and Veba in telecoms alliance

By Michael Lindemann in Bonn and Alan Cane in London

Veba, the industrial conglomerate which is one of Germany's biggest private telecoms operators, yesterday announced a strategic alliance with Cable and Wireless of the UK. The deal is the latest in a series of alliances between large German companies and foreign-owned telecoms operators.

The intention is to compete for a share of Europe's £90bn ($140bn) telecoms market, now opening up to competition as state monopolies are swept away. C&W said its share of capital expenditure in Europe would be up to £2bn over the next decade; Veba expects to invest £2.5bn.

Veba said it would buy up to 10.5 per cent of C&W in the market. Yesterday, it spent about DM1bn ($600m) buying 5 per cent at 395p, a premium of about 4 per cent on Wednesday's closing price. It would offer a maximum price of 435p to buy the outstanding 5.5 per cent by July 26, Veba's treasurer said. A 10-year "standstill" agreement limits Veba's stake to 10.5 per cent except in exceptional circumstances such as a takeover bid. Mr Ulrich Hartmann, Veba chief executive, has been invited to join C&W's board.

The partners intend to create two joint venture companies. The first is based on Vebacom, the company's 100 per cent owned telecommunications subsidiary. It will focus on the German market. It will be owned 55 per cent by Veba and 45 per cent by C&W; management control will reside with Veba.

Mr Hartmann would not say how much Veba would receive from C&W for the 45 per cent stake. He said that Vebacom was worth "billions of D-Marks" and that a final price would be fixed over the next six weeks once the company had been properly valued. The second, Cable & Wireless Europe, will be owned equally by the two companies. It is likely to have its headquarters in Brussels and will be managed by C&W. It is expected to form alliances with local partners in the various European markets.

Lord Young, C&W executive chairman, said Veba was an ideal partner: "It will bring established and fast developing businesses in mobile, satellite, fixed wire, cable operations and value added services which complement our activities worldwide."

The new partnership will apply for a licence to provide services in competition with Deutsche Telekom, the state-owned monopoly, and possible other operators who may be allowed to operate after January 1 1998, when telephone monopolies end across most of Europe.

Winning a licence to operate voice telephone services after 1998 will depend, in part, on having a global reach and some observers said Veba would have been better off with a bigger carrier such as British Telecommunications which two weeks ago teamed up with Viag, another German energy-based conglomerate.

Lex, Page 14; Background, Page 19

Gamble for soft drinks market share poses stiffest challenge yet for UK group

Cadbury offers $2.5bn for Dr Pepper/7-Up

By Roderick Oram, Consumer Industries Editor, in London

Cadbury Schweppes yesterday took a multi-billion dollar gamble on the world's soft drinks market, pitting itself against the established might of Coca-Cola and PepsiCo for consumers from Texas to Taiwan.

It launched a $2.5bn recommended bid to take full ownership of Dr Pepper/7-Up Companies after gently wooing the Dallas company for eight years. If successful, the deal would triple its share of the US soft drinks market, putting it in a third place with 16.3 per cent, and lift its world share by three-quarters to about 9 per cent.

"The acquisition…represents a major strategic milestone," said Mr Dominic Cadbury, chairman of the British confectionery and soft drinks group.

London analysts generally approved the logic of the acquisition but several commented that Cadbury will face a financial, managerial and competitive challenge far stiffer than it has met before.

Dr Pepper, a distinctive drink invented in Texas in 1885 with a flavour likened by some to carbonated prune juice, is one of the fastest growing US soft drinks. As a "non-cola", it does not compete directly with Coke and Pepsi's main products. But, with consumers seeking greater variety, the three companies will increasingly fight each other.

With the purchase, Cadbury will vie with Coca-Cola for leadership of the world's non-cola soft drink market with a 17 per cent share. It plans to push Dr Pepper abroad.

PepsiCo, however, owns 7-Up outside the US.

Cadbury is offering $33 a share for the 77 per cent of Dr Pepper it does not already own for a total of $1.71bn. The total cost will rise to $2.5bn with its assumption of $890m of Dr Pepper's debt, a legacy of a management buy-out in the mid-1980s. It is financing the deal with a one-for-seven, two-part rights issue at 340p a share to raise £395m ($616m) and an underwritten enhanced scrip dividend which will enhance its cashflow by up to £111m. It will also raise £570m in new debt. Its shares closed up 23½p at 422p.

"We feel pretty good about the deal," said Mr Jim Turner, owner of the Dr Pepper Bottling Company of Texas. An independent company, it buys syrup from Dr Pepper/7-Up which has no bottling capacity of its own and produces some 15 per cent of the Dr Pepper sold in the US.

He also bottles A&W soft drinks which Cadbury bought in 1993. "We've not been totally satisfied with Cadbury on that. They cut too many people and too much marketing support. They are now paying a a lot for Dr Pepper and we don't want them to handle that by taking money away from the brand."

He urged Cadbury to integrate Dr Pepper swiftly with its existing US business, retain the 7-Up brand and keep Dr Pepper's headquarters in Dallas.

"We have absolutely no plans to sell the 7-Up brand," Mr David Wellings, Cadbury chief executive, said. A decision on the US headquarters would come later.

Lex, Page 19; Details, Page 19; Coca-Cola, Page 17

Ashley Ashwood
A taste of prune juice? Cadbury's David Wellings sucks it and sees

Semi-Tech to take control of Japan's Akai

By Simon Holberton in Hong Kong and Emiko Terazono in Tokyo

Semi-Tech Global, the acquisitive Hong Kong company controlled by Mr James Ting, yesterday said it would take control of Akai Electric, one of Japan's oldest consumer electronics companies, in a deal which values Akai at Y31.4bn ($314m).

The transaction will lead to a rationalisation in Japan's consumer electronics industry – laid low by the strength of the yen and slow growth in Japan – through co-operation between Akai and Sansui Electric, another Semi-Tech subsidiary.

Akai, founded in 1929, will issue 95.9m new shares to Semi-Tech at a price of Y180 a share – or a 57 per cent discount to the market – raising Y17.26bn in cash.

At the same time, Akai will pay Semi-Tech Y9.76bn for a 17.5 per cent interest in Sansui. The Y245-a-share price tag for Sansui represents an 8 per cent discount to the market.

The result of the share swaps will leave Semi-Tech owning 27.5 per cent of Sansui and 55 per cent of Akai. Akai's share placement to Semi-Tech needs shareholder approval.

Semi-Tech believes it can achieve significant economies by Akai and Sansui working more closely together. The companies' "strategic alliance should constitute an appropriate match for a strong working relations". Mr Ting said.

He said Akai had a strong overseas production and parts capabilities which would assist Sansui. Sansui is itself shifting its production and parts procurement abroad. Akai plans to scale back Japanese production further in favour of lower cost facilities in Indonesia and Malaysia. Parts procurement has been relocated to Singapore.

In spite of these measures, Akai incurred losses in 1993 and 1994 which have eroded its capital base. In 1993 Akai and its subsidiaries had sales of Y76.2bn; last year it sold more than 2m video cassette recorders.

Semi-Tech made its name with a canny takeover and turnround of Singer, the US sewing machine manufacturer. Mr Ting repeated this with his purchase of control in Pfaff, the German sewing machine manufacturer two years ago.

Akai, which exports some 80 per cent of its products, has suffered mounting debts and operational losses over the past few years.

It has been trying to increase overseas manufacturing in order to avoid currency losses, but failed to produce attractively designed goods at the right price.

The company was hit by the surge in the yen during the mid-1980s, and was rescued by Mitsubishi Bank and Mitsubishi Electric in 1986.

Mitsubishi Electric injected Y1.38bn into Akai and became its largest shareholder with a 7.7 per cent stake, and the group's bank extended new loans to keep Akai afloat.

Analysts say Akai's prospects depend on the future management strategy.

"The company was led by managers from the Mitsubishi group who didn't know much about the market," says Mr Yoshiharu Izumi, analyst at brokers UBS Tokyo.

Akai may not see the benefits of tha cash injection unless aggressive changes in management are made, he adds.

P&G to take $50m charge for earthquake damage

By Richard Tomkins in New York

Procter & Gamble, the US consumer products group, yesterday warned that it would take a $50m charge to after-tax profits in the quarter to March because its Japanese headquarters and one of its five Japanese manufacturing plants had been put out of action by the Kobe earthquake.

It is the first US company to issue a profits warning because of the earthquake damage.

In the year to July 1994, Japan accounted for $1.7bn of P&G's $30.3bn worldwide revenues, or 5.6 per cent. The group's Japan headquarters and technical centre are on Rokko Island in Kobe and its Akashi manufacturing plant is close to the city.

Mr Edwin Artzt, chairman and chief executive, said no P&G's employees were seriously injured in the earthquake but some lost members of their families and many lost their homes. The company was helping them with emergency housing, interest-free loans for rebuilding homes and replacing lost possessions, and other assistance.

Mr Artzt said the Akashi plant, which produces paper products such as Pampers nappies and Whisper feminine protection pads, was being repaired and should resume partial production in two weeks.

Customers were being supplied from existing stocks and from P&G's other paper plant.

The basic structure of the Rokko Island premises appeared sound, Mr Artzt said, but further engineering studies and repairs needed to be carried out.

The buildings should be reoccupied within a few months: meanwhile P&G was managing the business from temporary headquarters in Osaka.

"Based on what we know today, we will take a $50m after-tax charge to earnings in the January-March quarter for the cost of employee assistance, clean-up and repair of facilities, and non-recurring expenses associated directly with the earthquake," Mr Artzt said.

In the comparable quarter, the company reported net profits of $482m after taking a $102m after-tax charge for losses it suffered on financial derivatives.

P&G's warning of the latest charge came as it reported a 15 per cent increase in net profits to $750m for its second quarter to December 31.

Sales rose 9 per cent to $8.5bn and earnings per share, fully diluted, rose from 85 cents to 99 cents. For the first six months, net profits were 17 per cent ahead at $1.54m.

Mr Artzt said the group continued to see volume and sales growth in virtually all business sectors and geographical areas, and profits had been boosted by continued control over costs.

The devaluation of the Mexican peso did not affect the quarterly results and was not expected to have a significant impact on the full-year results, P&G said.

In the last quarter P&G increased its share of the European detergent market. This followed the company's triumph in a soap war with its Anglo-Dutch rival Unilever.

Glaxo to pay $533m for Affymax biotech group

By Daniel Green in London

Glaxo Holdings, Europe's biggest drugs company, yesterday agreed to pay $533m for Affymax, a Californian biotechnology company, three days after it offered £9bn-plus for UK rival Wellcome. The bids are Glaxo's first since 1977.

Affymax is one of California's highest profile biotechnology companies, known for its ambitious research programme and the reputation of Mr Alejandro Zaffaroni, 71, its founder, chairman and chief executive.

The deal is a cash tender offer at $30 a share, valuing Affymax at $485m. A further $48m is payable to option holders. Affymax has recommended the offer. Its shares rose by $11.50 to $29.50 in early trading.

The offer reaffirms Glaxo's commitment to a strategy based on finding new medicines. Several of its rivals, including US companies Merck and Eli Lilly, have chosen to buy distributors or over-the-counter medicine brands. Affymax was founded in 1989 and has no drugs in clinical trials.

Glaxo wants Affymax's drug discovery technology which allows for billions of molecules that might have medical applications to be tested quickly.

Sir Richard Sykes, Glaxo's chief executive, described Affymax as "a powerful platform for drug discovery." It would become "a Glaxo site, not a subsidiary."

The plan to collaborate intimately explains why Glaxo did not follow the normal pharmaceuticals company route of buying only a minority stake in biotechnology companies to avoid damaging the small company culture.

Glaxo has such collaborations with more than 10 other biotechnology companies.

Affymax had held takeover talks with several companies other than Glaxo in recent months, Mr Gordon Ringold, president and chief operating officer, said.

They included its present collaborative partners, Ciba of Switzerland, and American Home Products, Marion Merrell Dow and Johnson & Johnson of the US.

These collaborations would continue, although that with AHP has a change of control clause that allows the larger partner to back out, said Affymax.

Glaxo is also acquiring Affymax's 65 per cent stake in Affymetrix, a subsidiary making diagnostic tools. The rest of Affymetrix is held by investment institutions.

Mr Zaffaroni also founded Syntex, the drugs company bought for $5.3bn by Roche of Switzerland last year, and Alza, a biotechnology company in California whose chief executive is Mr Ernest Mario, formerly Glaxo's chief executive.

Affymax made a $14.2m loss for the first nine months of 1994 on sales of $16.2m. It is incorporated in the Netherlands but has its headquarters in Palo Alto.

Hochtief to challenge cartel office

By Judy Dempsey in Frankfurt

Hochtief, one of Germany's largest construction companies, yesterday vowed to challenge a ruling by the country's competition watchdog. On Wednesday, the Bundeskartellamt blocked Hochtief's plan to increase its stake in Philipp Holzmann, its main domestic competitor, on the grounds that it would lift the companies' dominant position.

Hochtief, which wants to increase its stake in Holzmann to more than 30 per cent from 20 per cent, said it would appeal to the courts for a reversal of the decision on the grounds that the Bundeskartellamt's reasons were questionable.

The decision was made after the authorities had examined contracts worth over DM50m ($33.3m) or more. It found that between 1990 and October 1994, Hochtief and Holzmann had 30 per cent of the 530 contracts of this size or over.

Hochtief said the office's definition of the market was "mistaken," and said the joint market share would have been closer to 20 per cent of the market, which includes large contracts ranging from building roads to constructing airports.

"We are determined to press ahead with our objections," Hochtief said. "And we are sure we can win, otherwise we would not persist with this." Hochtief, a 100 per cent subsidiary of RWE, the country's largest utility, will be fully backed by its mother company.

Hochtief is anxious to exploit the gradual rise in investment in the western German construction sector which has remained sluggish over the past few years. It is expected to increase 2 per cent this year with 15 per cent growth expected in eastern Germany.

Hochtief had intended to increase its 20 per cent holding in Holzmann to 30 per cent through acquiring a 10 per cent stake owned by BfG, a subsidiary of Crédit Lyonnais, the French bank. BfG acquired that stake last year.

The Cartel office said they would abide by their ruling, saying this was a test case for planned mergers. For its part, Holzmann, in which Deutsche Bank remains the largest shareholder with a 25.9 per cent stake, said the ruling was a "decisive precondition for our independence," adding that it had no worries about the court case.

Hochtief has four weeks to present its objections to the court. "It could take a year before a decision will be made, but we are prepared to sit this one out," Hochtief said.

Samsung poised to buy Rollei for DM57m

By Andrew Fisher in Frankfurt and John Burton in Seoul

Ownership of Rollei, one of the best known names in German camera making, is set to pass to South Korea with yesterday's announcement by Samsung that it planned to purchase the company.

Samsung said it had agreed to purchase Rollei, which celebrates its 75th anniversary this year, for DM57.5m ($38.3m). It said the ownership would be split between Samsung Electronics with 80 per cent and Samsung Aerospace and the Samsung trading house with 10 per cent each.

However, Rollei Fototechnic – owned by Mr Heinrich Mandermann, who has interests in lens manufacture and east German camera making – said negotiations were still in progress.

Samsung executives have been in Germany to conclude the acquisition.

Samsung, which controls about half of the Korean camera market, is keen on Rollei because it wants to secure advanced optical technology for the camera operations of Samsung Aerospace. Samsung and Japanese companies manufacture compact autofocus cameras for Rollei, which produces expensive small and medium format cameras for the professional and advanced amateur markets, as well as projectors and measurement cameras.

Mr Mandermann bought Rollei, which has a turnover of DM50m and employs 240 people, from United Scientific Holdings of the UK in 1987. After its heyday as one of the most successful names in the camera world, it suffered from Japanese competition after the 1960s and an ill-fated production venture in Singapore in the early 1970s.

After being rescued by Norddeutsche Landesbank, the regional bank based in Hanover, the company continued to run up heavy debts. It went through various stages of financial difficulty and ownership before being sold by the bank to United Scientific in 1981. Rollei is back in profit.

Turnround at Neste gives lift to privatisation plans

By Christopher Brown-Humes in Stockholm

Plans to privatise Neste were lifted yesterday when the Finnish oil and petrochemicals group reported a FM1.2bn ($254m) profit for 1994. This compared with losses of FM1.52bn a year earlier.

The company was lifted by a restructuring which brought asset sales, cuts in investments and personnel, and an increased focus on energy and oil.

Neste expects to issue up to 18m shares this year, cutting the state's 97 per cent stake by about 20 per cent.

Estimates suggest the group is worth about FM10bn, which would make the sell-off the biggest in Finland's privatisation programme.

Neste has said the issue will not take place until after Finland's general elections in March.

The group's 1994 figures were inflated by FM500m in profits from asset sales.

The disposals included a 24 per cent stake in Sweden's OK Petroleum, several ships and some North Sea gas interests.

Underlying operations improved from 1993, when they were hit by low oil prices, high interest costs and a weak Finnish economy.

The transfer of Neste's petrochemicals and polyolefins operations into its Borealis joint venture with Statoil of Norway helped to cut sales to FM49bn from FM63bn, although oil trading volumes were also lower.

Neste said it had agreed in principle to sell its oil assets in the UK sector of the North Sea, only four years after its bid for Sovereign Oil & Gas, a UK oil independent. Analysts said it might create a new small exploration and production company, which would have interests in the Brae, Claymore, Nelson and Ninian fields.

The Finnish group promised a detailed break-down of divisional sales and operating profits in March.

Suard confirms plan for control of Framatome

By John Ridding in Paris

Mr Pierre Suard, chairman of Alcatel Alsthom, yesterday reaffirmed his intention to take majority control of Framatome, the nuclear power plant maker.

The head of the French transport, telecommunications, and engineering group said it was inevitable that Alcatel would lift its stake to more than 50 per cent from 44 per cent.

Last year, Mr Suard's company was thwarted in its bid to regain control of Framatome, which it controlled prior to 1990, following failure to agree terms with the government.

He also responded to allegations of corruption at the company, denying any wrongdoing. The company has been involved in an inquiry into alleged overcharging of France Telecom, while Mr Suard and other Alcatel executives have been investigated for alleged abuse of company funds. The Alcatel head said no evidence had been found to support any of the claims.

Mr Suard indicated that he had no intention of relinquishing control of the group. "I am 60 years old and, according to the regulations of the company, the age limit for the president is 68. Unless the board feels I have failed in my mission I should have, therefore, five or eight years ahead of me," he said.

Further backing for Rolo bid

By Andrew Hill in Milan

Credito Italiano's increased bid for Credito Romagnolo (Rolo), the Bolognese bank, gained further support from Rolo shareholders yesterday as directors of the target bank discussed what attitude to take to the L3,770bn ($2.38bn) offer.

Since Tuesday, when Credito Italiano (Credit) published the prospectus of its L22,000-a-share offer for 78.36 per cent of the bank, the new bid has attracted a steady trickle of support from Rolo shareholders, including Cir, the holding company controlled by the De Benedetti family, and Fiat, the automotive and industrial group.

Italian news agencies reported last night that more than 15 per cent of Rolo shares were now committed to the Credit bid, excluding shares already held, against 6.45 per cent to the L21,500-a-share bid from a consortium led by Cariplo, the Milan savings bank.

A ruling at the weekend by Italian takeover authorities seems to prevent the consortium from relaunching its counterbid, although Cariplo and its allies have yet to concede defeat.

As they entered yesterday's board meeting, some Rolo directors allied with Cariplo said they expected the consortium to appeal against the regulatory decision.

Until now, Rolo's board has been clearly more receptive to the Cariplo consortium's bid for a 70 per cent stake. Directors dismissed Credit's informal approach in October as hostile, and were merely lukewarm about the bank's opening bid of L20,000 a share.

But with its latest offer, Credit has beaten the Cariplo consortium on price and quantity of shares, and matched its rivals' guarantees on the autonomy, dividend policy and regional identity of the Bolognese bank.

Cariplo is allied with IMI, the recently privatised Italian banking group, Reale Mutua, the Italian insurer, and Carisbo, another Bolognese bank.

Telefónica surpasses expectations

By Tom Burns in Madrid

Telefónica, the Spanish national telecommunications company that is controlled by the government, lifted 1994 pretax profits 2.1 per cent against 1993 to Pta109.6bn ($824.7m), according to provisional results.

The company, which is more than 20 per cent owned by foreign institutions, said its net profit rose 7.9 per cent to Pta91.6bn and it would increase its interim dividend to Pta27 per share from Pta25. The company's results benefited from improved fiscal treatment of investments.

In advance of Telefónica's consolidated results, which will be released next month, analysts at Madrid brokers FC said the provisional figures were slightly better than expected.

Operating revenues rose 5.2 per cent to Pta1,280bn, cash flow grew 13.6 per cent to Pta559bn and the average number of lines in service increased 3.2 per cent.

The company said the number of mobile phone subscribers, using the existing analog system which is operated by Telefónica, increased 63 per cent last year to 412,000 from 256,000.

This increase suggests a large potential market for the GSM (global system of mobile communications) digital system in Spain following the deregulation of the cellular telephony sector at the end of last year.

Last month, Telefónica responded to the award of a second GSM licence to a consortium that includes US cellular operator AirTouch – a development that represents the first meaningful private-sector incursion into the company's hitherto tightly controlled domestic market – by announcing widespread organisational changes that were aimed to meet the liberalisation challenge.

Domestic side holds back Bosch

By Christopher Parkes in Frankfurt

Robert Bosch, the electronics and electrical goods group, is to continue cutting its domestic workforce in spite of a recovery in sales and a return to operating profits last year.

Although sales rose 6 per cent to DM34.4bn ($22.9m) last year, Mr Hermann Scholl, chairman, said yesterday that overall results were far from satisfactory. The group returned an operating loss last year for the first time since the second world war.

Mr Scholl said he expected turnover to rise 5 per cent in the current year, with a small improvement in Germany although the domestic economic recovery had not consolidated.

The company would reduce its domestic workforce by about 4,000 people this year, and add about 1,000 to its overseas payroll, he added. Last year, Bosch reduced its German payroll by 6,100 people and took on 2,000 employees abroad.

In a preliminary review of last year's results, the privately-owned group said turnover increased in all divisions except telecommunications which recorded a 9 per cent decline because of weak capital investment and price competition.

Sales in Germany stagnated, while foreign business – accounting for 54 per cent of revenues, compared with 49 per cent in 1993 – generated the entire turnover increase.

Double-digit improvements were recorded in Brazil and North America. Western European sales, excluding Germany, climbed 13 per cent, while turnover from automotive components rose 11 per cent. Consumer products, including power tools and the group's 50 per cent stake in Bosch-Siemens appliances, showed a 9 per cent improvement.

Increased business confidence showed up in the first increase in sales of capital goods for three years.

Turnover from packing machinery and hydraulics rose 3 per cent.

Chemicals side boosts Shell Oil

By Richard Waters in New York

Shell Oil, the US arm of the Royal Dutch/Shell group, reported a 38 per cent jump in net income in the final quarter of 1994, due in part to a sharp rise in earnings from chemicals operations.

Shell's chemicals business reported fourth-quarter operating profits of $179m ($131m after charges), up from $53m a year before. The chemical industry's rebound led to full-year earnings of $426m (before special charges), compared with $187m in 1993.

Profits from oil and gas exploration collapsed in the more recent period, due to write-offs and higher costs of unsuccessful drilling. Operating income fell to $5m, from $115m the year before. Higher sales of refined products and lower costs were behind a $73m rise in operating income from oil products, to $106m.

Fourth-quarter net income was $211m, up from $152m. This was struck after provisions of $250m to meet possible environmental remediation and litigation liabilities, offset in part by $113m of favourable tax and other items.

Full-year net income was $508m, after $610m of one-off charges, compared with $781m on charges of $51m the year before.

Shell Canada result, Page 18

Sara Lee rises as sales improve across divisions

By Maggie Urry in New York

Sara Lee, the cakes-to-corsets group, announced record earnings in the second quarter of its 1994-95 financiel year, which ends in June. Net income was 6.9 per cent ahead to $252m witb earnings per share up 6.3 per cent to 51 cents.

That left the first half of the year sbowing a 8.7 per cent gain in net income to $417m with earnings up 6.3 per cent to 84 cents a share.

Mr John Bryan, chairman and chief executive, said all four divisions achieved double-digit sales growth. However, net income growth was held back by higher interest charges, up in $46m from $33m in the second quarter, and a slightly higher tax rate.

Strongest profit growth was recorded in the coffee and grocery division, which includes tbe Douwe Egberts coffee brand. Second quarter operating profits rose 30 per cent to $103m as coffee prices rose and profits made outside the US were translated into a weaker dollar.

Packaged meats and bakery, with brands like Hillshire Farms and Sara Lee itself, increased second-quarter operating profits by 12.2 per cent to $117m, with volumes of both meat and bakery up 4 per cent in the quarter before acquisitions.

Personal products, including hosiery and Playtex underwear, recorded e 11.2 per cent increase in operating profits to $199m in the quarter. Sheer hosiery volumes fell 7 per cent but margins rose as promotional costs were reduced. However sock sales volumes rose 12 per cent. Foundation garment unit sales rose 14 per cent with double-digit rises in both North America and Europe.

Household and personal care prodncts such as Kiwi shoe polish increased operating profits by 13.7 per cent to $47m in the second quarter.

United Technologies shrugs off weakness in aerospace business

By Richard Waters in New York

United Technologies, the diversified US manufacturing group, recorded e 20 per cent jump in net income last year, in spite of continuing shrinkage in its aerospace business.

Sales in the flight systems division, which includes Sikorsky helicopters and the Hamilton electronic controls business, fell by 23 per cent in the final quarter from a year before, to $790m. This pushed operating income in the division down to $79m, from $113m.

However, Pratt & Whitney, the aircraft engine maker, achieved e 62 per cent increase in earnings in the latest quarter, in spite of flat sales of $1.6bn, due to cost-cutting.

Sales et Otis, the elevetor company, climbed 14 per cent to nearly $1.3bn; at Carrier, which makes air conditioners, they rose 9 per cent to $1.2bn; and in the automotive division were up 19 per cent, to $769m.

Net income for the quarter rose 21 per cent to $165m, or $1.26 a share, and for the year as a whole, to $585m, or $4.40, up from $487m, or $3.30, the year before.

The latest figures were struck after an accounting change to the company's employee stock ownership plan.

Before the impact of this change, fourth quarter earnings were $172m, or $1.21, while full-year profits were $644m, or 45 cents.

Record fourth term at Gillette

By Maggie Urry

Gillette, the rezors, toothbrushes and pens group, reported record fourth-quarter and annual profits with net income ahead 18 per cent in both the final quarter and the year.

Mr Al Zeien, chairman and chief executive, said: "All key elements of our business made significant progress."

In the last qnarter net income was $200m, up from $169m in 1993, with earnings per ehare also 18 per cent ahead et 90 cents, from 76 cents. For the year net income was $698m, up from $591m, and earnings per share were $3.14 against $2.66.

Sales in the final quarter rose 11 per cent to $1.8bn and for the year were up 12 per cent to $6.07bn.

Mr Zeien said double-digit sales growth in each quarter reflected Gillette's plan to "accelerate the rate of top-line growth". Although interest costs were higher, net income benefited from lower exchange losses and a reduced tax rate.

Profits rose in four of five divisions: blade and razor products, Braun products, toiletries and cosmetics and stationery products. The fifth, Oral-B dental care products, suffered e "significant" decline in profits in spite of a sharp sales rise, due in the costs of introducing new products.

The figures are stated before one-off reorganisation costs of $164m after tax, or 74 cents a share, in the final quarter of 1993 and a $139m, or 63 cents a share, charge for accounting changes, also in 1993.

Overseas expansion helps lift Coca-Cola

By Richard Tomkins

Strong growth in its expanding overseas markets helped Coca-Cola, the US soft drinks company, produce a 22 per cent increase in net income to $567m in its fourth qnarter to December, from $466m in the same period a year ago.

The volume of drinks sold worldwide rose by 12 per cent and total sales revenues rose 19 per cent to $4bn. Earnings per share rose 22 per cent in 44 cents.

The period ended a year that Mr Robert Goizueta, chairman and chief executive, described as the best in the company's recent history.

Full-year net income rose by 17 per cent to $2.55bn and earnings per share rose 18 per cent to $1.98.

Mr Goizueta said growth was accelerating as the company went into 1995, "which signals that this momentum isn't letting up at all; it's just getting started". The shares were up $⅝ at $51 in early trading.

In tbe latest quarter, tbe company increased volumes by 8 per cent in the US. This was in spite of competition from private label prodncts and the increasing popularity of non-cola soft drinks sucb as Dr Pepper.

Part of tbe increase came from growing sales of the company's own non-cola beverage brands: Fruitopia, PowerAde and Minute Maid.

International soft drink volume rose by 13 per cent, with Latin America ahead 14 per cent, north-east Europe/Middle East ahead 31 per cent, tbe European Community ahead 9 per cent, Africa ahead 6 per cent, and the Pacific and Canada ahead 12 per cent.

MCI registers 23% increase for full year

By Tony Jackson in New York

MCI, the second largest US long-distance phone company, produced a 22 per cent rise in fourth-quarter net earnings to $243m before exceptionals. But an increase in shares issued held growth in earnings per share to 3 per cent, at 35 cents.

For the full year, sales grew 12 per cent to $13.3bn and earnings before exceptionals by 23 per cent to $887m. Chairman Mr Bert Roberts described this as a good year, in which MCI had increased profitability while moving into new, high-margin sectors such as software, electronic information and local services.

MCI said it had increased its share of the business market in 800 (toll-free) calls and in international, data and carrier markets. Responding to the sharp increase in competition in the domestic long-distance consumer market, MCI introduced its "Friends and Family Connections" service. This "re-established MCI's savings position" in the market.

During the year, MCI completed its alliance with British Telecommunications, leading to BT taking a 20 per cent stake for $4.3bn. It also launcbed a joint venture to provide long-distance services in Mexico. In the US local phone market, the company said it planned to spend $500m this year on MCI Metro, its local access unit.

Clark plans to spin off VME stake

By Andrew Baxter

Clark Equipment plans to spin off its 50 per cent stake in VME Group, the Brussels-based construction equipment joint venture with Volvo, in an initial public offering that could raise up to $475m for the US company.

The deal will end 10 years of joint ownership by Clark and Volvo of VME, best known for its Volvo BM, Michigan and Euclid construction equipment. It also produces Zettelmeyer loaders and Akerman excavators.

VME's creation in 1985 was one of the most important cross-border joint ventures in the construction equipment industry. The Brussels company had sales last year of $1.5bn.

Mr Leo McKernan, Clark chairman and chief executive, said: "The time is now right for Clark and VME to proceed as independent businesses, and for Clark in pursue new opportunities to build value for our shareholders."

Volvo's stake in VME is unaffected by the public offering, which will involve 35m shares priced at an estimated $20 apiece.

Clark will sell 31.5m VME shares, while the remainder can be purchased by the underwriter to cover any over-allotments.

Clark will use the proceeds to buy "profitable businesses with distinct market advantages to which we can add value", said Mr McKernan.

The company also plans to repurchase up to 3m of its own shares on the open market. That would cost $160m-$170m at current prices.

'Outstanding' year as GTE posts 8% rise

By Tony Jackson

GTE Corp, the largest regional phone company in the US, increased net earnings in the final quarter to $693m, or 72 cents a share, compared with a loss of $466m the previous year. Excluding one-off items, per-share earnings rose 8 per cent to a record 67 cents.

In the full year, net income was $2.45bn against $900m. Again, this represented a rise of 8 per cent in underlying terms. Sales for the year were $19.9bn, an underlying increase of 3 per cent.

Chairman Mr Charles Lee said the year had been "outstanding", based on the performance in both wireline and wireless telephony.

Access lines installed in the US rose 4.9 per cent to 17.4m, and by 4.8 per cent abroad to 5.4m. The total of cellular phone subscribers rose 48 per cent to 2.3m.

GTE is the second-largest mobile phone company in the US after AT&T/McCaw.

Outside the US, where GTE operates mobile networks in Canada, the Dominican Republic, Venezuela and China, the customer base rose 59 per cent to 321,000.

Owens-Corning sales surge

Owens-Corning, the US glass fibre manufacturer, raised fourth-quarter earnings by 30 per cent to $43m or $0.91 a share, and by 35 per cent in the year to $159m, writes Tony Jackson. Sales for the year were up 14 per cent in $3.4bn, the largest increase since 1979.

Mr Glen Hiner, chairman, said sales should grow by et least 10 per cent in the current year. He added he was "comfortable" with earnings projections in the $4.15-$4.25 per share range this year, compared with last year's $3.35 returns.

This would also be in line with the company's target of increasing earnings twice as fast as sales, be said. Owens-Corning'e shares were unchanged et $31¼.

Dow Chemical shows strong growth

By Tony Jackson

Dow Chemical produced a 100 per cent rise in operating profits to $637m for the final quarter, on sales up 22 per cent at $5.5bn. Net earnings after various exceptional charges were $222m or 80 cents a share, compared with a loss of $48m or 18 cents in 1993's fourth quarter.

Special items in the quarter included a 25 cents a share write-down on litigation over breast implants at Dow Corning, a 46 cents a share charge on the impending sale of the personal care business, and a 20 cents gain from the sale of Dow's stake in Magma Power, which is the subject of a takeover bid.

Full-year sales were up 11 per cent at $20bn and earnings up 46 per cent at $931m or $3.37 a share. The biggest improvement came in the plastics division, where volume and price increases in thermoplastics contributed to a 16 per cent rise in sales and an almost 200 per cent rise in operating income.

Chairman Mr Frank Popoff said the company's international presence, rising productivity and price increases made him optimistic about continued earnings growth in 1995.

Delta Air cuts second-quarter loss

By Richard Tomkins in New York

Delta Air Lines, the third-biggest US carrier, yesterday followed United Airlines and American Airlines, the biggest and second biggest, in reporting a sharp improvement in results for the quarter to December.

Two smaller US carriers, however – Continental Airlines and Southwest Airlines – suffered severe downturns in their financial performance, in line with the warnings they delivered last month.

Delta ended its second quarter to December with a net loss of $18m and losses per share of 79 cents. In the comparable period it made net losses of $71m, or $1.97, excluding a $112m pre-tax restructuring charge.

Like the other big carriers, Delta has improved its performance mainly by cutting costs. Revenues were down by 1 per cent at $2.9bn because an increase in passenger numbers failed to offset the continuing pressure on fares; bnt Delta reduced costs by 4 per cent, largely through lay-offs and lower fuel prices.

Under its "Leadership 7.5" programme, Delta is fighting to become one of the lowest cost operators in the US by getting its operating costs per available seet mile down to 7.5 cents. In the last quarter, they were 8.94 cents.

Continental Airlines, hit by the over-ambitious expansion of its low-cost CALite shuttle services, saw its losses worsen from $26.5m to $41.9m in its fourth quarter to December. It also warned that this was a preliminary result: it expected to add o so-far uncalculated charge of about $400m to cover tbe cost of eliminating loss-making operations.

Sonthwest Airlines, until recently the most consistently profitable of all US carriers, suffered a big downturn in fourth-quarter net profits to $20.3m from $38.4m.

Already the lowest-cost US carrier, it has been hit by increasing competition as other airlines get their costs down and fight back.

JP Morgan cost-cutting plan may lead to loss of 1,700 jobs

By Richard Waters in New York

J.P. Morgan, tbe New York-based bank, is planning to cut 10 per cent from its costs in a move which could lead to about 1,700 job losses around the world.

The news signals one of the biggest rounds of cost-cutting yet in the face of the downturn in conditions in international financial markets.

Mr Douglas Warner, the bank's new chairman, warned staff in an internal memorandum earlier this week that the bank's profit decline last year and "difficult markets around the world" had forced it to review its cost base.

Mr Warner told staff tbe bank had not set a target for job losses. However, a bank official indicated separetely that the number was likely to reach ebout one in ten of the total beadcount, which stood at 17,055 at the end of 1994.

Morgan has shed large numbers of staff before in response in weak markets. In 1990, the bank's headcount fell by more than 1,200, or 9 per cent. Since then, though, numbers have climbed 32 per cent as the bank has expanded into new areas of investment banking and trading.

Morgan had become one of the most active traders in the emerging markets, all of which have suffered in the wake of the collapse of the Mexican peso late last year. Trading and underwriting activity in the emerging markets is expected to fall off sharply this year from 1994, leading to big job losses across the industry.

Most banks, though, continue to expect the derivatives markets to bounce back from 1994, when a bond market collapse and adverse publicity stemmed demand from users.

Weak stock markets hit PaineWebber

By Maggie Urry

PaineWebber was the latest US securities firm to show the damage to profits from last year's poor stock markets, announcing a drop in net earnings for the final quarter of 1994 to $16.3m from $56.9m. Earnings per share were down from 72 cents to 18 cents.

For the full year net income was $105m compared to $246m with earnings per share at $1.27, down from $2.95.

The results exclude the one-off after-tax cost of $36m for PaineWebber's acquisition of mucb of Kidder Peabody towards the end of the year.

Mr Donald Marron, chairman and chief executive, said the securities industry suffered the most difficult conditions for decades, especially in fixed income. He said the fixed income division made losses in the fourth quarter but all the other core businesses were profitable.

The Kidder Peabody acquisition "has been smoother than anyone could have expected", he said. Earlier this week the firm dropped a $10m law suit against Donaldson, Lufkin & Jenrette, which it had accused of poaching Kidder Peabody staff.

Whirlpool up 17% at $332m

By Tony Jackson in New York and Andrew Baxter in London

Whirlpool, the world's biggest maker of white goods, produced a 17 per cent rise in earnings last year, before non-recurring items, in $332m or $4.40 a share. Sales rose 8 per cent in $8.1bn.

Sales volume in North America showed a double-digit rise, the company said, but it cautioned that this would slow to around 3 per cent this year.

Operating profits in Europe were up 17 per ceot, reflecting strong volume growth and productivity improvements. The last big step in turning Whirlpool Europe into a pan-European home appliance business, a restructuring that will reduce the workforce by about 2,000, was announced in November.

Profits from Latin America rose by 60 per rent, as the company realised "operating and competitive advantages" from its continued integration of companies in the region.

Sales volume in Asia rose by aronnd a third, but losses continued due to the level of investment. The company said it had shipped around 700,000 appliances in Asia in the year.

Fourth-quarter net earnings were $96m *before restructuring* charges of $187m, an underlying increase of 15 per cent. Sales were up 10 per cent at $2.1bn.

Mr David Whitwam, chairman and chief executive, said that in 1995, Whirlpool would add significantly to its presence in Asia, intended to improve productivity further in all its regional operations and would introduce more new product models worldwide than at any time in its history.

Cemex overcomes currency losses

By Leslie Crawford in Mexico City

Cemex of Mexico, the world's fourth-largest cement company, announced a 7 per cent increase in net profits to 1.9bn pesos ($334m) in 1994, in spite of heavy foreign exchange losses incurred as a result of the devaluation of the Mexican peso last month.

Cemex said its foreign exchange losses resulting from the 63 per cent devaluation of the peso in 1994 amounted to 727m pesos.

Part of the impact of the Mexican devaluation was cushioned by revenues from Cemex's foreign subsidiaries, which accounted for 42 per cent of the company's 10.6bn peso revenue last year. The anticipated economic recession in Mexico in 1995 will increase the importance of Cemex's foreign operations. The company forecasts 50 per cent of its sales in 1995 will be generated by its foreign subsidiaries in the US, Spain, Venezuela, Panama and the Caribbean.

Projected revenues from Cemex's foreign subsidiaries are forecast to reach $1.5bn in 1995, which will help cover interest payments on the company's $3.2bn external debt.

Mead boosts net income

Mead, the US forest products group which last year sold its Mead Data Central electronic information business for $1.5bn, reported fourth-quarter earnings per share from its continuing businesses of 70 cents, up from 21 cents, when one-off charges are excluded, writes Maggie Urry. Earnings per share for the year were $2.90 up from $2.08.

For the year, including the $629m after tax gain on the Mead Data sale, net income was $696m, up from $124m.

Jaffré prescribes shock therapy for Elf

Tough measures are paying off at the troubled French oil group, writes John Ridding

Elf Aquitaine, the French oil group, operates on a grand scale. The country's largest industrial concern, it is one of the world's 10 biggest oil companies. Its privatisation last year was the largest issue to be launched on the Paris stock market, drawing more than 3m investors.

Yesterday, the oil group delivered a shock in keeping with its size. Mr Philippe Jaffré, who took over as chairman in 1993 and guided Elf to the private sector, announced provisions and exceptional charges for last year of FFr8.7bn ($1.6bn). As a result, Elf swung to a loss of FFr5.4bn, its first deficit, from a net profit of FFr1.1bn in 1993.

In spite of the plunge into the red, Mr Jaffré struck an upbeat tone. "It may seem a paradox, but things are going better at Elf," he said. He described the provisions, mainly resulting from an accounting change in the US, as "very exceptional", and forecast a rebound in profits this year. Investors were reassured, sending shares in the company up by FFr15.8 to FFr375.

However, the provisions and write-downs reflect the scale of the challenge inherited by Mr Jaffré as he seeks to cleanse the balance sheet, curb debts and restore Elf's flagging profitability. As one oil industry analyst put it yesterday; "He is wiping the slate clean. But much more needs to be done to get back to the ranks of the industry leaders."

The immediate reason for such large provisions was a change in US accounting practices. The change, due to take effect next year, removes the ability to offset assets against each other. As a result, overvalued items on the balance sheet, such as the North Sea assets acquired from Occidental and its Texasgulf minerals unit, had to be written down.

The write-downs, however, also reflect Mr Jaffré's broader plans for the company. "Our strategy is to free capital from non-core assets and financial investments to develop our core activities of energy and production, refining and marketing, chemicals and healthcare," he said. The scale of the operation is large. "In two years, we will redeploy 10 per cent of our assets," he added.

The problem facing Elf is that many of the assets it has slated for sale have been overvalued. Many were acquired at excessive prices during an acquisition binge in the 1980s and early 1990s. As a result, large write-downs have been required to prepare them for sale.

"To a large extent, Mr Jaffré is wrestling with his inheritance," says Mr Charles Spaan, oil industry analyst at Hoare Govett. "When other oil companies such as BP were restructuring, Elf went the other way. Investments were not always linked closely enough to profitability."

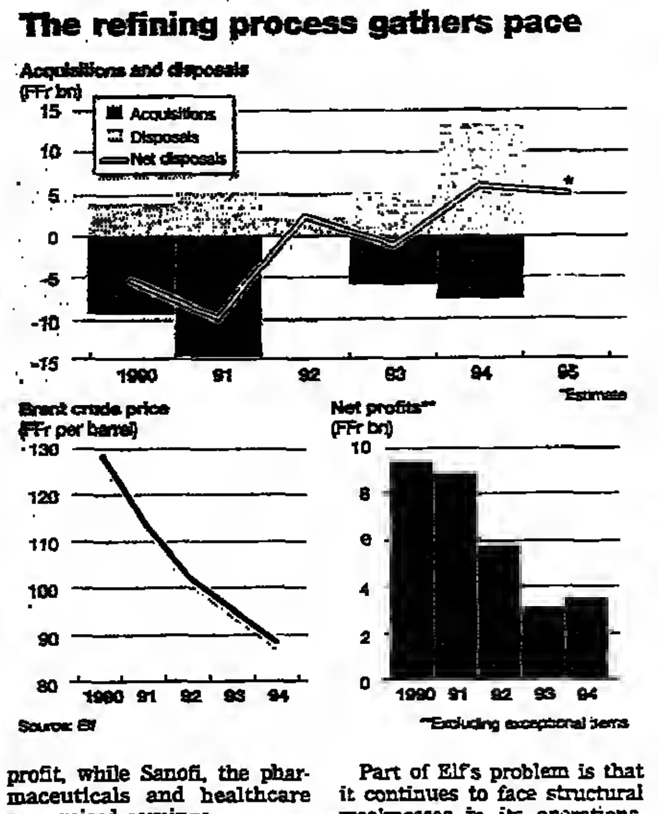
One example is Texas Gulf, bought in 1981 for about FFr13bn. It has been written down in the balance sheet, but its value is still below the receipts expected from its sale. As a result, charges of FFr1.2bn were taken in the 1994 accounts.

Other investments have been shed. Last year, Mr Jaffre recouped net receipts of FFr8bn from asset sales, FFr1bn more than budgeted. Partly as a result, debts have been reduced to FFr45bn from FFr53bn at the end of 1993.

There were other encouraging elements in yesterday's results. Operating income rose sharply, to FFr11bn from FFr9.4bn, in spite of continued difficulties in the oil markets. Although demand benefited from recovery in European economies, the oil price in francs slipped further, from an average of FFr96 a barrel to 1993 to FFr88. Elf Atochem, the chemicals division, returned to profit, while Sanofi, the pharmaceuticals and healthcare arm, raised earnings.

"Once you get past the headline figure there is a lot of good news," says one Paris-based analyst. "Results in 1995 will clearly be much better, and they have shown their confidence by maintaining the dividend".

The refining process gathers pace



Source: Elf

**Excluding exceptional items

Yesterday's exceptional charges will raise profitability at the group, the analyst adds. "By reducing the asset base, the write-downs reduce future depreciation. So profitability will rise."

Elf still has a long way to go to catch up with the most profitable companies in the sector. While BP and Shell are expected to achieve rates of return on capital of about 10 per cent this year. Elf's returns are about 4 per cent.

Part of Elf's problem is that it continues to face structural weaknesses in its operations. One of its areas of expansion in the 1980s, for example, was downstream service station and marketing activities. But in Europe, and in France in particular, these activities are severely depressed, partly because of increased competition from supermarkets. "Structurally, they are in the wrong place at the wrong time," says Mr Jim Joseph, European oil industry analyst at James Capel.

Like several other analysts, Mr Joseph has argued that Elf must go further in its restructuring. "This is a gin-rummy restructuring; the loosest or weakest asset is discarded at each turn ... there are no signs that Elf is willing either to undertake a deeper rationalisation of the business or prepared to alter significantly its overall shape." He advocates the sale of Sanofi, the pharmaceuticals division, which he claims has few synergies with Elf's oil and chemicals businesses.

Other observers argue that further moves are needed to change the culture of the group and to spell out positive strategy directions. The fact that Elf took a 1 per cent holding in Renault, the motor group, at its flotation last year, troubled some foreign investors, who saw it as a sign that national interests still prevailed over commercial considerations. Many believe the threat of union opposition has prevented the job cuts necessary to maximise efficiency.

The Elf chairman dismisses such criticisms. He cites the turnround at Elf Atochem as an example of the company's ability to rationalise its operations, and promises restructuring in its French and UK refining and marketing activities.

Last year, the group's workforce fell from 94,000 to 90,000, and a further reduction is expected in 1995. "We won't set a target. In France we don't tell, we do," says Mr Jaffré.

He rejects the idea of selling Sanofi or any other of the group's core activities. "The four businesses work well together and Sanofi is the most profitable of them," he says, adding that the healthcare division is a good place to invest excess funds.

Mr Jaffré sees fine chemicals, the European gas market and Asia as strategic areas for expansion. Elsewhere, however, he is still consolidating his forces. "If you disperse your forces you will be beaten. I prefer to concentrate my troops and verify the logistical lines before redeployment," he says. After yesterday's announcements, he has shown some of the boldness he will need for Elf's battles.

Mixed fortunes for Schering, Upjohn

By Richard Waters in New York

Schering-Plough, the US pharmaceuticals group, recorded an 11 per cent jump in sales during the final three months of last year, while rival Upjohn saw sales continue to slip in the US as competition from generic drug makers intensified.

Schering-Plough's sales growth was driven by the antihistamine Claritin, sales of which reached $505m during year, making it the company's biggest-selling product. For the year, total sales climbed 7 per cent to $4.657bn.

The company's growth was concentrated in the US, where prescription drug sales rose 20 per cent year-on-year. Elsewhere, sales were up only 1 per cent (excluding currency swings). Sales in Japan of Intron A, a treatment for hepatitis C, more than halved to $140m, as the Japanese government moved to restrict drug prices.

Net income reached $204m, or $1.09 a share, in the final quarter of 1994, up from $189m, or 98 cents, a year before. Full-year net income was $922m, or $4.82, against $730m, or $3.75.

Upjohn said sales in 1994 of several products that faced generic competition in the US were $400m lower than a year before.

Overall, US sales slipped 10 per cent, to $1.9bn, while overseas revenues climbed 10 per cent to $1.4bn.

For 1994 as a whole, Upjohn's underlying net income fell 15 per cent to $491m, or $2.76, on sales down 2 per cent, at $3.275bn. Reported net income the year before was lower, due to restructuring and other charges.

In the final quarter, net income was $102m, or 56 cents, down from $164m, or 89 cents, the year before.

● Baxter International, the US medical equipment maker, recorded a 12 per cent advance in net income in the final three months of 1994, to $172m.

Income at Duracell improves

By Maggie Urry in New York

Duracell, the world's leading maker of alkaline batteries, raised second-quarter net income to a record $111m, from $99m, or 92 cents a share up from 83 cents, as sales volumes of the batteries rose 12 per cent worldwide.

That takes net income for the half-year to December 31 to $164m, up from $143m, with earnings per share ahead at $1.35 from $1.21.

Mr Charles Perrin, chairman and chief executive, reported robust sales growth in most areas of the world except Europe, where he said growth was weak "due to sluggish economic conditions particularly in France in Spain". However, the weaker dollar helped in the translation of European profits, he said.

North American operating income rose 10 per cent to $139m in the quarter, while profits from Europe were up 6 per cent to $57m.

Proton plans second plant to meet demand

By Kieran Cooke in Kuala Lumpur

Proton, the Malaysian car manufacturer, is planning a second car plant to meet growing demand. It now produces about 120,000 cars a year at a plant on the outskirts of Kuala Lumpur.

Mr Mohamad Nadzmi Salleh, managing director, said the new plant, which would be ready to go into production by the end of the century, would have a capacity of between 250,000 and 300,000 cars a year.

"We believe the present plant can go up to a capacity of 260,000 units," he said. "Definitely, we have to plan and identify a new site, prepare it and build up its production capability."

Proton cars are manufactured under a joint venture with Mitsubishi of Japan. Proton has a 72 per cent share of the car market to Malaysia and exports almost 20,000 units a year, most of them to the UK.

More than 20 per cent of Proton parts are imported directly from Japan. Over the past year, profits have been hit by the rise in the value of the yen. Pre-tax profits dropped to M$281m (US$109.8m) in 1993-94 from M$310m a year earlier.

Proton has said the recent earthquake in Kobe would affect production schedules. A few million Malaysian dollars could be shaved off this year's profits because of the disruption of Japanese imports.

● A Malaysian/Australian company yesterday unveiled a prototype sports car which will be manufactured in Malaysia. The Bufori boasts Australian design, Japanese technology and Malaysian workmanship.

The car's backers, who include members of one of Malaysia's royal families, say an initial 150, 2.2-litre models will be produced a year at a factory on the west coast of the Malayan peninsular. The Bufori will sell in Malaysia for about US$60,000.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Prices for Trading on 27.01.95: Pool purchase price £/MWh	Final Prices for Trading on 26.01.95: Pool purchase price £/MWh	Pool selling price £/MWh
0030	16.39	9.09	9.09
0100	17.01	35.50	38.44
0130	17.44	42.88	44.83
0200	17.45	42.88	44.83
0230	17.01	36.50	38.44
0300	16.50	20.68	22.57
0330	16.50	11.33	13.27
0400	16.46	11.33	13.27
0430	16.36	9.08	9.08
0500	16.38	8.70	8.70
0530	16.40	10.13	12.06
0600	16.40	9.82	11.77
0630	16.42	9.02	10.96
0700	20.04	9.02	10.96
0730	31.18	9.02	10.96
0800	35.97	9.09	9.09
0830	47.85	9.09	9.09
0900	56.27	21.86	23.79
0930	68.28	27.70	29.64
1000	78.86	27.70	29.64
1030	75.89	27.70	29.64
1100	75.08	34.32	38.26
1130	61.47	34.32	38.26
1200	83.65	34.32	38.26
1230	82.08	47.79	49.74
1300	65.12	47.79	49.74
1330	43.61	47.79	49.74
1400	34.92	29.18	31.12
1430	33.15	29.18	31.12
1500	28.75	29.18	31.12
1530	28.03	29.18	31.12
1600	28.06	29.18	31.12
1630	61.27	36.14	38.08
1700	193.60	43.92	45.86
1730	318.19	64.87	66.81
1800	358.47	64.87	66.81
1830	262.68	64.86	66.81
1900	151.56	43.91	45.85
1930	76.18	36.94	38.89
2000	31.16	36.94	38.88
2030	21.04	36.14	38.08
2100	16.16	30.28	32.22
2130	17.77	30.28	32.22
2200	17.56	23.71	25.65
2230	9.20	25.02	26.96
2300	9.05	21.85	23.73
2330	8.06	6.50	9.50
2400	9.06	9.09	9.09

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £15.88/MWh becomes 1.588p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone [illegible] between 8:30am and 5:15pm Monday to Friday.
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Strong fourth quarter and year from BCE

By Robert Gibbens in Montreal

BCE, Canada's biggest telecommunications group, posted strong results for the fourth quarter and 1994 as a whole, in spite of lower contributions from the main domestic telephone utility.

Northern Telecom (BCE's international equipment subsidiary), BCE Mobile and new ventures under the wing of BCE International all contributed more, making up for the Bell Canada shortfall.

BCE's fourth-quarter net profit was C$318m (US$225m), or 96 cents a share, against a loss of $509m, or $1.73, a year earlier. Revenues were up to $6.2bn from $5.6bn.

In the 1993 quarter, BCE took its 52 per cent share of Northern Telecom restructuring charges. Northern Telecom has since recovered.

For all 1994, BCE's net profit was C$1.18bn, or C$3.52 a share, against a net loss of C$656m, or C$2.44, in 1993 after special charges. Revenues were C$21.7bn against C$19.8bn.

Bell Canada's fourth-quarter contribution was $148m against C$267m and for the full year C$721m against C$796m. The decline was mainly due to lower long distance revenues and higher depreciation. Also, special gains were included in the fourth quarter of 1993.

"While Bell is implementing strict cost controls, its performance is being affected by strong competition," said Mr L.R. Wilson, BCE chairman.

Enron offsets falling gas prices with asset disposals

Enron, the biggest US natural gas group, saw net earnings rise by $5m to $109m in the final three months of last year, in spite of a deep slide in natural gas prices in the US, writes Richard Waters.

Mr Kenneth Lay, chairman and chief executive, also said the company expected earnings per share growth of "at least 15 per cent" this year and in the near term.

For 1994 as a whole, net income rose to $453m on sales of $8.9bn, up from $382m on sales of just under $8bn in 1993. This was in spite of losses of $23m in Enron's domestic gas processing business, compared with a profit of $28m in 1993.

Enron's latest figures benefitted from asset sales, which contributed $28.1m after tax in 1994, compared with $6.9m a year before.

Earnings per share were 41 cents for the latest quarter and $1.80 for 1994 as a whole, up from 39 cents and $1.55 respectively in 1993.

NEWS DIGEST

Thyssen unit advances despite flat turnover

Pre-tax profits at Thyssen Industrie, the engineering subsidiary of the German steel-based conglomerate, rose 30 per cent to DM135m ($89.4m) in the year to September 30, up from DM104m the year before, writes Michael Lindemann in Bonn.

Turnover remained stagnant at DM8.1bn, said Mr Eckhard Rohkamm, chief executive, reflecting the fact that there had "still not been a fundamental improvement in the state of the [German] economy".

Losses were recorded in engineering, which represents about 10 per cent of Thyssen Industrie's turnover, and income was also dragged down by DM15m losses at Blohm & Voss, the Hamburg shipyard in which the company holds a majority stake.

The division making lifts produced the best results, the company said.

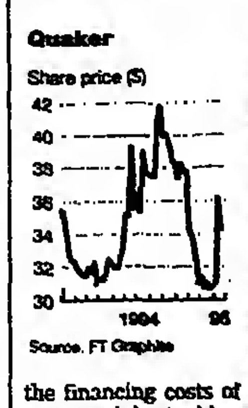
However, there were signs that the pace of economic recovery was quickening, with orders for the first quarter of the current financial year up 56 per cent from very low levels a year ago, and turnover up 6 per cent.

Orders for the year ended September 30 rose 7 per cent to DM8.2bn, while orders on hand rose 11 per cent to DM9.3bn.

Thyssen Industrie spent DM91m on redundancies and other personnel costs.

The group employed 29,737 people at the end of the last financial year, 8.3 per cent less than a year earlier.

Quaker Oats blames Snapple deal for fall



Source: FT Graphite

Quaker Oats, the US breakfast cereal and drinks group, yesterday blamed its $1.7bn acquisition of the Snapple Beverage drinks company for a 20 per cent decline in net income, to $33.4m, in its second quarter to December, writes Richard Tomkins in New York. The company warned earlier this month that profits would be down. It said the financing costs of the Snapple acquisition were mainly to blame, but it also incurred higher marketing spending worldwide, particularly for its Gatorade soft drinks and cereals.

Revenues rose 11 per cent to $1.51bn, but earnings per share fell by 19 per cent to 25 cents. After a poor first quarter, hit by the higher cost of defending its cereal and soft drink brands against tough competition, net income for the first six months was down 32 per cent to $89.7m.

In the US, second-quarter sales rose 10 per cent, but operating profits fell 14 per cent because of higher advertising and merchandising costs. International sales rose 15 per cent, but operating profits were virtually flat.

Earnings down heavily at Lotus Development

Lotus Development, the US software group, suffered a decline in sales and earnings for its fourth quarter, writes Louise Kehoe in San Francisco.

Net income for the period was $14.4m, or 30 cents a share, well below analysts' estimates, and the previous year's fourth quarter net of $29.6m, or 64 cents.

Revenues were $264.5m, a 5 per cent fall from $278.3m for the same period a year ago.

Lotus said sales of its applications programs for PCs running the Dos operating system declined sharply during the year, and sales of *Windows* applications suffered in competition with "suites" of office programs.

"These factors accounted in large part for the decrease in revenue," said Mr Ed Gillis, chief financial officer. However, sales of communications software products rose 98 per cent in the fourth quarter, year-on-year, the company said.

After non-recurring charges, the company recorded a net loss of $20.9m, or 44 cents a share, for the year, down from 1993 net income of $55.5m, or $1.24. Lotus's revenues for 1994 were $970.7m, against $981.2m in 1993.

Competition takes toll on Cray Research sales

Cray Research, the world's leading supercomputer manufacturer, reported a drop in fourth-quarter sales and earnings, writes Louise Kehoe.

Net earnings fell to $9.5m, or 38 cents a share, after a pre-tax restructuring charge of $8.3m – a sharp drop on the $24.3m, or 93 cents, for the same period a year ago.

Revenues were $237.1m, down from $302.6m.

The company is going through a difficult product transition as it struggles to compete with the less expensive, high-powered "mini-supercomputers".

For the year, net earnings dropped to $55.7m, or $2.18 a share, from $60.9m, or $2.33, in 1993. Revenues for 1994 hit a record $921.6m, up from $894.9m in 1993.

"While the company sold substantially more systems in 1994 compared with the previous year, they were at lower average price," said Mr Robert Ewald, Cray's newly-appointed president.

Mr John Carlson resigned as chief executive last month, citing a gloomy profit outlook for the company. Cray said it anticipated a decline in revenues in 1995, with operating losses in the first half and break-even results for the year.

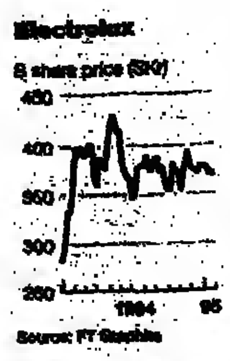
Higher petrochemical prices help Shell Canada

Shell Canada's fourth-quarter profit last year jumped to C$103m (US$72.8m), or 92 cents a share, from C$8m, or 4 cents, a year earlier. It attributed the rise to higher prices for petrochemicals, and lower overall costs. Revenues were C$1.4bn against C$1.2bn, writes Robert Gibbens in Montreal.

For all of 1994, net profit advanced strongly to C$320m, or C$2.85 a share, up from C$16m, or 15 cents (after a C$34m special charge), a year earlier. Revenues were ahead at C$5bn from C$4.7bn. Capital spending dipped to C$370m from C$645m, mainly because of the completion of a large gas project in western Canada.

For the year, upstream margins were higher and refining operations were more efficient, but downstream marketing results were weak.

Electrolux builds on presence in Turkey



Source: FT Graphite

Electrolux, the world's leading manufacturer of household appliances, has bought two Turkish companies in a move to strengthen its position in a market of 60m people, writes Christopher Brown-Humes in Stockholm. Both Gunas, the sole Turkish representative of Electrolux commercial appliances, and Gunluks, a service company, were purchased on undisclosed terms.

Electrolux said it would set up two new divisions in Turkey to handle sales and marketing and after-sales customer support.

The company has been active in Turkey since 1987, and through last year's purchase of AEG Hausgeräte it has 20 per cent of Profilo Elektrikli Gerecleri, Turkey's second largest manufacturer of white goods.

The acquisitions, announced yesterday, are further evidence of Electrolux's efforts to build up its operations overseas, especially in growing Asian countries at a time of relative maturity in its main US and European markets.

Last year, the group announced plans to invest more than SKr1bn ($133m) in China and south-east Asia over three years.

Asimco to pay $100m for Beijing brewer stake

Asia Strategic Investment Corporation (Asimco), the China investment group, is paying $100m for a majority share in Beijing's largest brewer and an associated brewing company, writes Tony Walker in Beijing.

Asimco and its partners, which include the Miller Brewing Company of the US, will take a 60 per cent stake in Beijing's Five Star brewery, and the Three Ring brewery, Five Star's largest licensee.

Asimco, better known for its investments in the automotive components sector, said yesterday's deal would create the biggest joint venture brewing company in the world's fastest-growing beer market.

Production capacity at Five Star and its licensee will be about 420,000 tonnes a year. The companies will produce beer for the domestic market and for export.

China produced 12.25m tonnes of beer in 1993 and ranked third among world producers behind the US and Germany. It is expected to pass Germany in the next year or so.

Malayan Banking ahead 34% pre-tax

Malayan Banking (Maybank), Malaysia's biggest financial institution, reported pre-tax profit of M$651m (US$254m) for the six months to December 31 1994, a 34 per cent rise on the corresponding period last year, writes Kieran Cooke in Kuala Lumpur.

The continued strong growth of the Malaysian economy enabled Maybank to become one of the country's leading corporate money earners. The bank has been making a push overseas and plans to open branches in central Asia, Vietnam and Indonesia.

In the year to June 30 1994, Maybank recorded a pre-tax profit of M$1.16bn, a 46 per cent increase on the previous figure.

Alitalia still in red but improving, says chief

Figures from Alitalia, the Italian airline which is undergoing restructuring, would show that it remained in the red for 1994, Mr Roberto Schisano, managing director, said yesterday, AP-DJ reports from Milan. However, he suggested that the results would be an improvement on the year-earlier period.

Analysts have widely predicted that Alitalia would record a loss for 1994.

In the latest figures, available in September, the airline reported that consolidated losses for the first six months of the year narrowed to L197bn ($123.2m) from L218bn in the year-earlier period. However, Mr Schisano said its performance in 1995 should be in line with the rest of the industry.

Earthquake may prove boon for ANA

All Nippon Airways (ANA), Japan's largest domestic airline, believes last week's earthquake in the country may help to push up its earnings, at least in the near term, according to the carrier's president Mr Seiji Fukatsu, Reuter reports from Tokyo.

Although seats have been cancelled from earthquake-stricken Osaka, there has been an increase in demand for flights connecting western Japan with Tokyo and other cities in eastern Japan, Mr Fukatsu said.

Demand had risen because the January 17 earthquake cut the "Bullet Train" line between Kyoto and Himeji, near Kobe, affecting services from Tokyo to beyond Kobe.

The seat occupancy rate on ANA domestic flights between Tokyo and Okayama in western Japan, beyond the earthquake affected area, including additional flights, was 92 per cent from January 17 to 24, ANA said. The ratio in December was 40.3 per cent.

Record year at Swissair

Swissair, the Swiss flag-carrier, has reported a record year in several areas of business. The airline said its 68.9 per cent total load factor for 1994 was a record, and last year was its best-ever in traffic volume terms, Reuter reports from Zurich.

The number of passengers carried – 8.36m compared with 1993's 7.78mn – also represented a new high, Swissair said. Traffic volume rose 9.9 per cent in revenue-tonne-kilometre terms, and the increase in cargo and mail was particularly strong, up 13.2 per cent.

Traffic growth on its intercontinental routes was stronger than on European routes.

ملك من الأصل

COMPANY NEWS: UK

Motor distribution hit by poor Hong Kong market and rise in yen

Inchcape warns of 10% fall

By David Wighton

Inchcape shares plunged by more than 20 per cent yesterday, by 82p to 311p, as the international marketing and services group warned of a 10 per cent fall in profits for 1994.

The shares have now underperformed the market by more than a third in the past year.

Inchcape said its motor distribution businesses had been hit by weak markets in the UK and Hong Kong and by the rise in the yen. The downturn in motors had been only partly offset by a strong recovery from its marketing companies and continued growth from its services division.

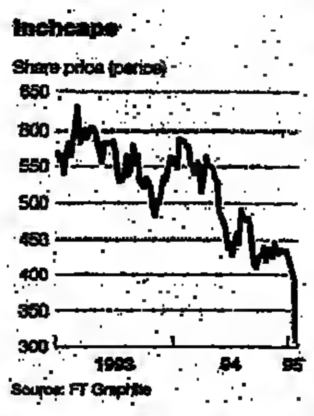
Mr Charles Mackay, chief executive, said that because of weak car markets the company had been unable to raise prices to compensate for tha increased costs of Japanese-manufactured vehicles.

"Not only have we been unable to move prices up we had to put in additional incentives such as the £1000 cash-back scheme on Toyotas in the UK."

Mr Mackay pointed out that its Japanese marques – Toyota, Mazda and Daihatsu – sell mainly to private buyers rather than to the stronger fleet market.

Inchcape has also suffered from a sharp downturn in car sales in Hong Kong, where it has more than 40 per cent of the market.

Mr Mackay blamed the fall in share prices and property values which has undermined consumar confidence. "They are not buying flats or cars, though they are still buying cornflakes," he said, alluding to Inchcape's other marketing businesses in the colony.



Mr Mackay said Hong Kong car sales had slumped by 19 per cent in the fourth quarter and played down hopes of an early recovery.

Analysts said UK Toyota sales were unlikely to show much recovery this year either and downgraded their forecasts. S.G. Warburg cut its 1995 prediction from £275m to £245m while James Capel downgraded by 20 per cent to £235m.

Inchcape said that pre-tax profits from continued activities in 1994 will fall by about 10 per cent against £252.4m in 1993. This excludes the £13.9m contribution from the discontinued joint venture exporting Toyotas to China. Of the 10 per cent fall, two percentage points were due to the impact of exchange rate movements on overseas profits translated into sterling.

The motor businesses outside Europe and Hong Kong continued to perform well. It also saw a strong recovery from its marketing operations, particularly in consumer products in Japan.

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Tokyo listing for Unitech subsidiary

By Tim Burt

Unitech, the international electronic components and controls group, has announced plans to seek a full listing on the Tokyo Stock Exchange for Nemic-Lambda, its jointly owned Japanese subsidiary, following a sharp increase in first-half profits. The UK group, which derived 57 per cent of its profits from Nemic-Lambda, said the move would allow it to raise fresh capital to invest in its rapidly expanding components business.

Contributions from the 50.6 per cent-owned Japanese components manufacturer – currently traded over-the-counter – helped pre-tax profits more than double from £7.36m to £15.8m ($24.6m) in the six months to November 30. Of thet total, the Japanese operations accounted for Y1.34bn ($134m), against Y846m. The improvement prompted a sharp rise in the share price which closed 26p up at 391p.

Growing international demand from telecommunications and data processing manufacturers lifted underlying sales by 15 per cent with turnover reaching £166.9m (£144.5m), including £5.85m from Advanced Analog, its new US subsidiary.

The business, acquired for £8.2m cash last summer, also contributed £1.23m to operating profits of £18.1m (£9.83m).

Mr Peter Curry, chairman and founder, said further acquisitions and organic growth should enable the group to capture more than 10 per cent of the $12bn (£7.6bn) world market for specialist electrical components. "We could finance that expansion by coming to the market or selling off part of Nemic-Lambda," he added. The Japanese subsidiary's improved performance underpinned increased profits of £14.2m (£7.4m) in the power supplies division, tha group's largest.

Mr Curry also welcomed a turnround in the connectors division, which reported profits of £974,000 against losses of £887,000. The controls products business, however, saw profits decline 10 per cent to £2.45m (£3.77m) as sales of air conditioning components faltered.

Cantona anger hits Man Utd shares

By Gary Evans

Eric Cantona's angry response to an opposition supporter's taunts also provoked a reaction in the share price of his clnb, Manchester United, which saw £3m wiped off its valne as the sbares were marked down 5p to 126p yesterday.

The Premiership champions are aiming to retain their title for a record-equalling third time in a row, but the market saw the potential loss of Cantona, wbo faces a Football Associatiou ban as well as possible criminal charges, as a major blow to the club's championship aspirations.

Cantona was sent off on Wednesday night for the fifth time in his United career during the game with Crystal Palace. As he left the field, the temperamental French striker lost his temper with a Palace snpporter and proceeded to pbysically assanlt the fan.

It is believed to be the first time in more than 100 years of professional football in England that a player has attacked a member of the public.

Last night, the FA formally charged Cantona, wbo captains the French national team, with misconduct and bringing the game into disrepute. He will be given 14 days in which to respond to the charge before an FA Commission considers the case.

Manchester United is Britain's most profitable football club. It is currently second in the league and two weeks ago broke the domestic transfer record with the £7m purchase of striker Andy Cole from Newcastle United.

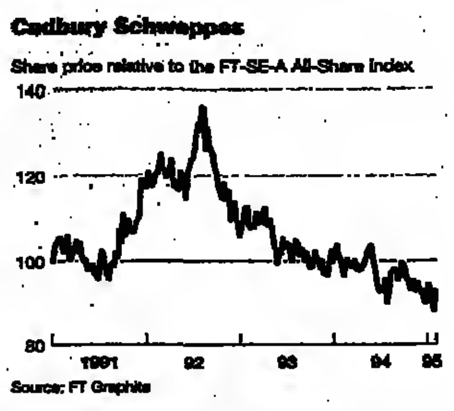
LEX COMMENT

Cadbury/Dr Pepper

Cadbury Schweppes' acquisition of Dr Pepper has generated a new financial instrument: the so-called Underwritten Enhanced Scrip Dividend Alternative (Uesda). Instead of launching a £500m rights issue now, Cadbury is asking shareholders for £395m with the rest filled by the Uesda. When the company comes to paying its next dividend, shareholders will be offered the chance of taking an enhanced scrip worth roughly 1.5 times as much as the cash alternative. Cadbury gets the proceeds from the Uesda now, because the whole deal is underwritten.

What value, one might ask, does this financial engineering add for shareholders? The answer lies in the complexities of Advance Corporation Tax. Following the Dr Pepper acquisition, Cadbury's profits earned outside the UK will reach nearly 70 per cent – meaning it will probably not earn enough profits in the UK against which to offset ACT payments. If the Uesda is taken up in full, Cadbury will save itself £23m in ACT.

However neat the financial engineering, it is of marginal importance in the context of the Dr Pepper deal as as whole. Worries about a rights issue to finance the acquisition have been one of the factors behind the sharp fall in the group's share price over the past year. Though Cadbury's management may feel pleased with the structure and terms of the fund-raising, shareholders should not forget how much the share price has fallen since September 1993 when Cadbury last bought a softs drinks company in the US. The rights issue to acquire A & W Brands was at 400p a share; the Dr Pepper issue is at 340p.



IBM UK in profit after restructure

By Paul Taylor

IBM's restructured UK operations moved back into profit last year, reflecting renewed domestic growtb across the product lines. Pretax profits for 1994 were £96m ($150m) after restructuring charges of £80m, against losses of £174m when restructuring charges totalled £55m.

Turnover increased to £4.4bn (£4.06bn) with domestic revennes climbing 8.3 per cent to £1.87bn and exports, traditionally a strong feature of the UK subsidiary, growing slightly faster, from £2.33bn to £2.53bn.

The UK operations were the hardest hit of the group's national subsidiaries in 1992, bnt began to recover in 1993 cutting losses substantially. Mr Javaid Aziz, chief executive, said: "Our results show a dramatic improvement, having moved into profit for the first time since 1990. We are back on track with business continuing to gain momentum."

Staff levels continued to fall with the number of employees dropping to 9,183 at the end of 1994, down from 11,418 12 months earlier. Since 1990 IBM's UK workforce has been cut by more than 40 per cent.

Norish closures

The diminishing role played by European Union intervention stocks in the Irish beef and dairy industry bas forced Norish, the Dublin-based foods cold storage group, to close three plants and announce plans for an I£2.7m ($4.2m) exceptional cbarge against profits for 1994, writes John Murray Brown.

The company, which is listed on both Dublin and London exchanges, reported pre-tax profits of I£2.65m in 1993, on turnover of I£11m.

The company is expected to report losses in 1994.

The final dividend is also to be passed.

Smurfit Corporation at $45.5m

Jefferson Smurfit Corporation, reported pre-tax profits of $45.4m for the three months to December 31 and $28.7m for 1994.

For the corresponding periods there were losses of $42.8m and $257.6m. Net income, after tax and extraordinary items, was $22.9m ($27.8m loss) for the quarter with losses of $43.1m ($228.9m) for the year. Losses per share for 1994 were cut to 43 cents, compared with 360 cents.

Hidong Est ahead

Hidong Estate, the Malaysian based but London listed plantation company reported pre-tax profits of M$251,465 in the six months to the end of September, against losses of M$96,273.

Higher prices for both rubber and oil palm fruit helped turnover rise from M$574,298 to M$810,632 despite lower crops. Earnings per share were M$0.1468, against losses of M$0.0562.

Allied Domecq sale

Allied Domecq has sold Allied Breweries Nederland, brewer of Oranjeboom, to Interbrew, the Belgian brewery group, for a cash consideration not material to its net assets.

Allied is concentrating on spirits and wines. The loss relating to the disposal will be offset against profits on other disposals.

Goodhead down

Goodhead, the printing and publishing group, reported pre-tax profits down from £303,000 to £76,000 ($120,000) in the six months to November 30. Turnover was £13.5m, against £15.7m, including £2.29m from discontinued activities.

The result included investment income of £101,000, representing its share of profits of Southwestern Ontario Printing and Publishing and preference share dividends from Totem Group.

SGI seeks £30m for expansion

By Andrew Baxter

SG Industries, one of the largest UK manufacturers of steel products, is planning to come to the market this spring in a deal expected to raise about £30m.

The flotation is likely to value the company, to be renamed SGI, at about £45m.

The Carrington Wire unit supplies wire and wire prodncts for a number of niche markets. The company also makes reinforced steel bar (rebar) for the construction industry through Square Grip in the UK and Raymond Housman in North America.

Mr Eddie Boss, chairman and chief executive, said the company wanted to cut gearing, and, lift working capital. With borrowing rednced, it would be able to exploit expansion opportunities as the industry consolidated.

SGI was formed in 1989 through a buy-in supported by venture capital investors.

Profits for last year have not yet been disclosed, bnt are believed to have risen significantly. A further rise is expected this year.

Continental push hits margins, says M&S

A strong December helped Marks and Spencer, the food and clothing retailer, lift UK third-quarter sales by 6.7 per cent against the comparable period, writes Peter Pearse.

The group also reported that in continental Europe, the better values campaign launched in September had lifted sales and volumes, bnt at the expense of margins. The higher cost of expansion and infrastrnctnre systems affected profitability in the quarter.

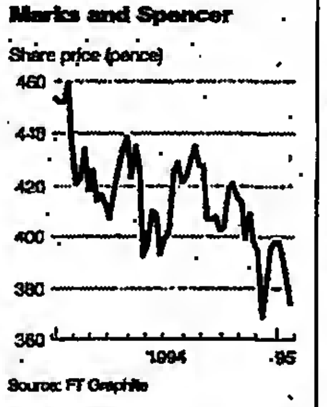
M&S remained confident of its long-term future on the continent.

However, Brooks Brothers, the US mens wear group, had performed poorly.

Trading conditions in the UK for retailers remained "extremely competitive".

Reflecting the trend in Christmas trading statements to concentrate on margins rather than sales, the retailer said it bad traded "at the same margin as last year, with minimal price inflation."

However, the M&S statement revealed little that had not been expected. Analysts are not changing their pre-tax profits forecasts for the year from the £945m to £965m range.



The shares eased 3½p to 374½p.

December's performance rescued the quarter from sluggish sales in October and November, when the weather was unseasonally warm.

The group said tight controls on its clothing stocks meant that the cost of reductions in the after-Christmas sales would be similar to last time.

In the five weeks to December 31, UK sales rose by 10.8 per cent.

CRH buys rest of Superlite for $23.1m

By John Murray Brown in Dublin

CRH, tha international building materials company, has acquired the remaining 50 per cent of Superlite Block, its joint venture with Arizona Block, for I£14.8m ($23.1m).

The cash deal, made through Oldcastle, its US holding company, is the latest in a string of foreign purchases as CRH moves to become less dependent on the Irish market, improve its product balance and sustain sales growth.

CRH, Ireland's fourth largest company with turnover of I£1.5bn in 1993, is to retain the existing Superlite management. Superlite is one of the largest concrete masonry manufacturers in the US and the market leader in Arizona, operating three plants with annual production of 80m units supplying the construction and DIY markets.

In 1994, CRH made about 14 acquisitions in Europe and the US and its first deal in South America, worth a total of I£160m. It is now the seventh largest building materials group in the US.

Two communicate across Europe

Alan Cane looks at the alliance formed between Cable & Wireless and Veba

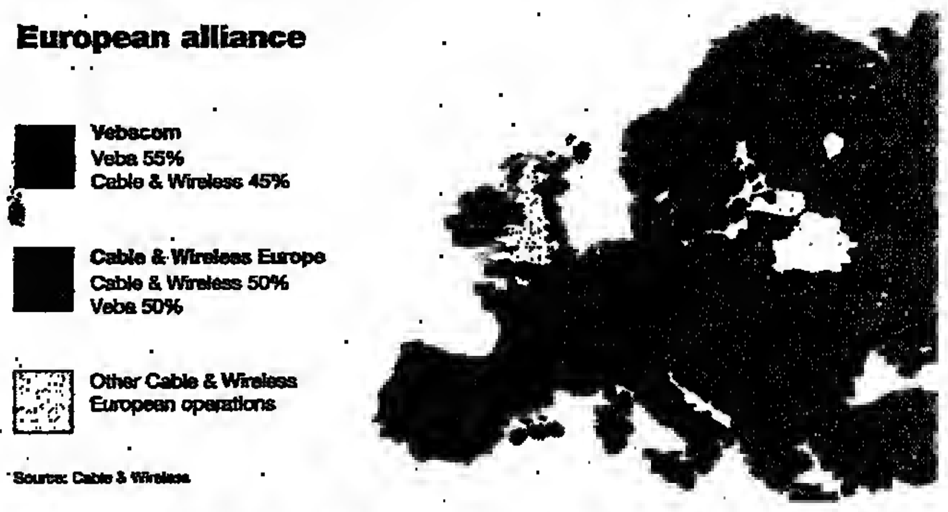
It took Lord Young, Cable and Wireless' affable chairman, a few moments to remember why he had not been offered a reciprocal invitation to join the board of Veba, C&W's partner and shareholder in an alliance aimed at the European telecommunications market. He does not speak German.

Mr Ulrich Hartmann, Veba's chief executive, on the other hand, will make his contributions to C&W's board meetings in fluent English. The two companies are clearly hoping that this slight cultural imbalance is not an omen for their ability to co-operate smoothly.

Lord Young does not expect quick returns: "Wa are talking about markets wbere the greater part of the growth is yet to come. Our aim is 10 per cent of the German market by 2003".

The strategic alliance announced yesterday – which involves the formation of two joint ventures, one, Vebacom, aimed at the German market, the other at other markets in continental Europe – will go some way towards resolving questions over C&W's strategy towards Europe.

The company will be hoping that it will also help to persuade the City that it is regaining its confidence, shaken by poor results at its subsidiary Mercury in the UK and some nervousness in Hong Kong. C&W owns a majority stake in Hong Kong Telecom, which provides the bulk of its profits.



He said that C&W had been waiting, like most other large telecoms operators, for the regulatory environment to change in Europe. In the past two years the EU has agreed that monopolies on both telecoms services and telecoms infrastructure must be disbanded after January 1 1998.

A primary aim of the alliance will be to secure a licence in Germany to provide voice services over the pnblic network. The two companies said, however, that it was not critical to their business plans.

There have been suggestion that intense activity in the German telecoms market – British Telecommunications has lined up with energy utility Viag and the steelmaker Thyssen has formed an alliance with BellSouth of the US in the past few weeks – might influence the German authorities to bring forward the liberalisation date.

Lord Young said he thought that unlikely: "Our information is that January 1 1998 is a fairly fixed date".

The two companies are very different in style and structure. C&W is involved only in telecommunications, while Veba is a conglomerate in which telecoms is only one of five principal trading areas. Outside Germany, the two companies expect to have to form partnerships with local companies.

The question remains: what can the alliance of C&W and Veba provide for their customers that other joint ventures and partnerships cannot? A somewhat cynical argument is that in most of Europe's markets and especially in Germany, telecoms prices are so high because of the monopoly that it would not be difficult to provide equivalent or better services at lower cost.

The two groups also intend to exploit Veba's activities in cable. Its cable television operations have about 1m subscribers and its cables pass by almost 2m homes.

Tha City reacted questioningly to the deal. After Veba bought 5 per cent of C&W at 395p a share, the price slid back to 378p, unchanged on the day. "There are still considerable doubts about the ability of C&W's strategy to generate long-term earnings growth," said one analyst.

US union lobbies Tate & Lyle

By James Whittington

Tate & Lyle's 96th annual meeting was disrupted for the third successive year in London yesterday, as US trade union officials dominated shareholders' question time by demanding an end to the lockout of 763 workers by AE Staley, its Illinois subsidiary.

Officials from the United Paperworkers International Union, holding proxy votes, organised a vocal lobby of union members and sympathisers to fire questions at Sir Neil Shaw, the chairman of the sugars and sweeteners group, and his board.

The mood was polite but persistent as the lobbyists managed to put forward eight out of twelve shareholders who addressed the meeting. However, frustration among both board members and UK shareholders became apparent as the volume of groans grew each time the Staley subject was broached.

The conflict began in late 1992 when Staley introduced sub-contracting work and 12-hour rotating shifts. The workers refused to sign individual contracts and were locked out in June 1993.

Mr David Watts, local spokesman for the aggrieved workers, accused Tate of foul play and union-busting tactics. He challenged the group's allegations that the workers had sabotaged equipment.

Among the lobbyists was a Roman Catholic priest from Decatur, Fr Martin Mangan, who as a shareholder made an impassioned plea to Sir Neil to intervene and help "his broken community". He read out a petition signed by 400 religious leaders which called upon Tate to live up to its moral and ethical responsibilities.

Sir Neil said he was not willing to interfere personally in the dispute but hoped a "fair agreement with the workforce" would eventually be reached.

In a trading statement, Tate & Lyle said sales were up by almost 10 per cent in the first quarter and profit before tax was showing good progress.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Crest Packaging	6 mths to Oct 29	21.6	(21.6)	1.84	(2.43)	3.5	(3.6)	1.375	Mar 23	-	-	2.75
Freeport Leisure	23 wks to Dec 31	1.01	(-)	0.11	(-)	0.98	(-)	-	-	-	-	-
Goodhead	6 mths to Nov 30	13.5	(15.7)	0.076	(0.3)	0.1L	(0.4)	-	-	-	-	0.05
Grosvenor Inns	6 mths to Nov 26	7.01	(4.51)	0.72	(0.36)	3.94	(2.89)	2.5	Mar 17	2.25	-	4.75
Hidong Estate §§	6 mths to Sept 30	0.81	(0.57)	0.25	(0.1L)	14.68	(5.62L)	-	-	-	-	-
Menvier-Swain	6 mths to Oct 31	41.1	(33.8)	5.17	(4.11)	6.9	(5.6)	1.6	Apr 6	1.3	-	4.2
Misys	6 mths to Nov 30	63.9	(42.1)	11.2	(8.01)	16.2	(14)	3.45†	Apr 5	3	-	8.06
Pifco	6 mths to Oct 31	19.7	(18.7)	1.41	(1.22)	8.3	(7.1)	2.1	Apr 28	1.9	-	4.5
Prior	6 mths to Sept 30	1.82	(0.61)	0.4	(2.02‡)	0.14	(1.38)	0.05	Mar 6	-	-	-
Stavert Zigomala	6 mths to Sept 30	0.35	(0.34)	0.047	(0.038)	11.872	(9.488)	-	-	-	-	9.415
Unipalm	6 mths to Oct 31	7.6	(10.8)	0.15	(0.27)	0.47	(0.89)	-	-	-	-	-
Unit §	5 mths to Sept 30	8.3	(8.51)	0.12L	(0.6L)	1.1L	(11L)	-	-	-	-	-
Unitech	6 mths to Nov 30	172.7	(144.5)	15.8	(7.36)	11	(4)	2.57	Apr 3	2.24	-	6.56
Warner Estate	Yr to Sept 30	19.9	(11)	7.24	(7.3)	10.93	(11)	7.5	Apr 7	7.35	11.35	11
Wood (John D) §	6 mths to Oct 31	3.69	(3.22)	0.301	(0.369)	2.3	(2.9)	0.75	Mar 8	0.75	-	2
YRM	6 mths to Oct 31	4.52	(5.51)	1.23L♥	(1.19L)	9.29L	(8.15L)	-	-	-	-	-

Investment Trusts		NAV (p)		Net Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
GLM Insurance Fund	59 wks to Dec 31	90.82	(-)	1.02	(-)	2.44	(-)	2.4*	Feb 28	-	3.86	-
First Philippine	Yr to Oct 31	119.3	(91.8)	0.37L	(0.06)	0.74L	(0.11)	nil	-	0.2	nil	0.2
Lazard High Income	6 mths to Dec 31	91.28	(105.35)	0.71	(0.73♦)	3.1	(3.19♦)	1.6☆	★	1.6	-	6.4
Warrants and Value	Yr to Dec 30	34.47	(39.97)	0.011	(0.034)	0.01	(0.04)	-	-	-	-	-
Witan	Yr to Dec 31	250.5	(271.7)	23.3	(22.5)	6.2	(6.11)	3.4	Mar 17	3.1	6.1	5.8

Dividends shown net. Figures in brackets are for corresponding period. †On increased capital. §USM stock. *Annualised equivalent 2.06p. ♥After above the line costs of £324,000. ‡Includes £2.05m release of bank indebtedness. §§Malaysian dollars. ♦For five months. ☆Second interim making 2.133 so far. ★Paid on Jan 15.

Funding for Dr Pepper buy to come in part from £395m rights issue

Cadbury defends the bid price

By Roderick Oram, Consumer Industries Editor

"Clearly these are pretty high numbers," Mr David Kappler, Cadbury Schweppes' finance director, said yesterday of the price the UK group is paying for Dr Pepper/7-Up, the US soft drinks maker.

The all-in cost is about 25 times Dr Pepper's estimated 1994 earnings and about 21 times this year's forecast profits. But Cadbury could justify the price given the strategic fit and growth potential of the purchase, Mr Kappler said.

The earnings multiple is higher than Cadbury paid in 1993 for A&W, a smaller US soft drinks maker, but Dr Pepper has a much stronger market position, according to Mr Tim Potter, an analyst with Smith New Court. He added that the exit multiple was in line with international food and drink deals.

"The numbers are daunting in the short-term but it will be seen as a logical and sensible move in the long-term," Mr Potter said.

Cadbury sought to reassure shareholders yesterday it could afford the deal, stressing the combined group's interest cover of more than 4.5 times in the current year and strong cash flow.

It also sought to enlist their support not only for the 1-for-7, two-part rights issue but also for an innovative underwritten enhanced scrip dividend. The first tranche of the rights will raise £115m ($179m) regardless of the deal going through and the second an additional £280m if it is completed.

Tha scrip dividend will improve cash flow by up to £111m in first half of 1995 as Cadbury saves on cash dividends and unrelieved advance corporation tax. "This buys us time to manage our way through tha long-term ACT problem," Mr Kappler said.

For the second interim dividend, shareholders can choose either a net 11p cash payment per share or 0.0432432 of a new Cadbury share, worth about 16.5p. The enhanced scrip also carries a cash alternative of not less than 14.7p underwritten by Kleinwort Benson.

Cadbury forecast yesterday that its pre-tax profits last year would be not less than £475m and earnings per share 31.3p, against £416.3m and 30.59p a year earlier. With the second interim dividend instead of a final, the pay-out for the year will be 15.6p net, up 8.3 per cent. All the figures were close to analysts' forecasts.

The pre-tax profits would be struck after a £23m provision for reducing the scope of Cadbury's Spanish soft drinks business.

Dr Pepper made an estimated trading profit of $211m on sales of $766m, according to Donaldson, Lufkin and Jenrette forecasts quoted by Cadbury. If Dr Pepper had been included in Cadbury's 1993 figures, turnover would have risen from £3.73bn to £4.2bn and operating profit from £449m to £566m, Cadbury said.

RECRUITMENT

JOBS: **Robert Taylor** looks at a new book that forecasts another industrial revolution

Apocalyptic vision of a near-workerless world

World-wide unemployment has reached its highest level since the depression of the 1930s, with more than an estimated 800m people either without work or under-employed.

Yet we may only be at the beginning of a revolution in the global labour market that could decimate the employed population, according to a new book that is arousing enormous interest in the US. With an apocalyptic title – The End of Work – it takes an exceedingly gloomy view about the future of global employment. The author is Jeremy Rifkin, president of a Washington-based think tank, The Foundation on Economic Trends.

In a luridly readable style, he predicts catastrophe lies ahead for millions of workers across the world as they are swept away by the "information age".

"After years of wishful forecasts and false starts, the new computer and communications technologies are finally making their long-anticipated impact on the workplace and the economy, throwing the world community into the grip of a third great industrial revolution," he writes.

Rifkin warns that in the coming years "new more sophisticated software technologies are going to bring civilisation ever closer to the near-workerless world. In the agricultural, manufacturing and service sectors, machines are quickly replacing human labour and promise an economy of near automated production by the mid-decades of the 21st century.

"The wholesale substitution of machines for workers is going to force every nation to rethink the role of human beings in the social process. Redefining opportunitiea and responsibilities for millions of people in a society absent of mass formal employment is likely to be the single most pressing social issue of the coming century."

In Rifkin's opinion, new employment opportunities are only likely in the "knowledge-based sector made up of a small elite of entrepreneurs, scientists, technicians, computer programmers, professionals, educators and consultants". But technology will absorb only a fraction of the hundreds of millions of workers who face being "eliminated... in the wake of revolutionary advances in the information and communication sciences".

As a result, Rifkin predicts the global labour market will polarise into "two irreconcilable and potentially warring forces": a new cosmopolitan elite of "symbolic analysts" who control the technologies and the forces of production and the growing numbers of permanently displaced workers who have little hope and even fewer prospects for meaningful employment in the new high-tech global economy.

"By the mid-decades of the coming century, the blue-collar worker will have passed from history, a casualty of the Third Industrial Revolution and the relentless march forward toward ever greater technological efficiency," he writes.

Rifkin is not the first seer to write alarmingly about the death of employment. What distinguishes his scenario from most of his predecessors lies not in a leap into utopian socialism but his belief that there is a plausible way to avoid a "death sentence for civilisation". The author writes about the emergence of what he calls "the third sector" of social community employment. Rifkin believes the demand for such work will grow with an eventual "globalising of the social economy". He sees hope for future job prospects in the expansion of voluntary non-governmental organisations that will bring about "a rebirth of the human spirit".

It is possible Rifkin exaggerates the negative impact of technology on future employment pattern as others before him have done. Those who predicted the end of paper with the arrival of computers were proven wrong. Thirty years ago it was almost conventional wisdom that Soviet planning was superior to the free market. But his book is timely as many Americans worry aboot the kind of insecure, low paid jobs that are on offer in an economy where real wages have been squeezed for more than 20 years. And as they worry today, so does the rest of the world tomorrow.

The End of Work: The Decline of the Global Labor Force and the Dawn of the Post-Market Era by Jeremy Rifkin. G.P. Putnam's Sons, New York. $24.95.

* * *

Government training programmes for unemployed adults are often perceived as decidedly downmarket, offering flimsy job opportunities only for the semi-skilled and unskilled, writes Lisa Wood. But unemployed graduates might consider badgering their local job centres about new opportunities on Training for Work (TFW), the main government-funded programme for the unemployed.

With graduate unemployment at around 43 per cent, a number of Training and Enterprise Councils, which administer the scheme on behalf of the department of employment throughout England and Wales, are organising schemes tailor-made for unemployed graduates.

One snch programme, called Graduates into Management, is sponsored by Aztec, the tec which covers Kingston, Merton and Wandsworth in south London. Open to participants throughout the London area, the project is run by The Enterprise Partnership, a south London training organisation which specialises in working with small to medium-sized businesses.

Graduates, who have to be unemployed for six months to be eligible, receive four weeks of training. They then spend nine weeks working on a project within a company, for which they get a government training allowance plus their unemployment benefits.

One trainee, Spencer Reynolds, who graduated last year with a chemical engineering degree, was fairly cynical when his university careers' office suggested he joined the programme. "All those ideas have been dispelled," he says. "We won't just be placed with a company, we have choices and we will be building on skills we gained at university."

His placement will involve writing manuals for a computer software company. While this is not directly related to his degree, he says he wants to broaden his skills and experience.

The programme at the Enterprise Partnership is new and so has no track record for placing participants into full-time jobs. But, a similar programme run by the company for unemployed managers has a success rate of nearly 60 per cent.

"Of course there is no guarantee of a job," says Sanotra Prabhjeet, who graduated in the summer with a social sciences degree. "But, at the least one gains experience and the opportunity to show initiative. All the jobs in the job centres, be they skilled or unskilled, require experience."

Ms Prabhjeet, like all the other nine participants on the course, says that students at universities tend to think of big companies as the potential employers. "One is simply not aware that the majority of companies in this country are small to medium-sized," she says. "But, then it is difficult finding out about them. This programme puts us in touch."

Part of the course work is teaching the trainees about the differences between large and smaller businesses with a need in the latter to be flexible. "The small company offers a totally different working environment," says Peter Wilson, director of the Enterprise Partnership.

"The graduate gets an all round view of the company, whereas in the large company one is a specialist in a small area. Because of the lack of a hierarchy in a small company there is access to the boss, the key decision maker, and there is more scope to get the hang of decision-making early on in one's managerial career."

Wilson's management team personally visits all the small companies that the trainees will be working in, and placements are regularly visited.

At present Wilson has more companies offering places than trainees. One problem is that he thinks job centres are more inclined to send the long-term unemployed on non-training options. "I also think they are not aware of the training and placement opportunities that are available for graduates," he says.

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EMERGING MARKETS SEARCH & SELECTION

EMERGING MARKETS - FIXED INCOME ANALYST (N.Y.)

Our client, a major US institution with a significant presence within the Emerging Markets, wishes to appoint a fixed-income analyst to complement fundamental economic research already in place. Candidates should be able to demonstrate several years experience within a financial-markets environment, familiarity in performing relative-value and directional analysis, and a quantitative bias in their approach to the fixed-income universe.

In particular, interested applicants should ideally possess the following attributes:

- Experience derived within a quantitative fixed-income environment, including financial engineering or structured finance within the Emerging Markets.
- Excellent oral and written presentational skills, with the presence to express opinions for both internal and external consumption.
- Full computer literacy with experience of commonly used WP and technical packages.
- A flexible, pro-active approach, able to absorb and respond to information at short-notice.
- Ability to work with very little supervision.

The position is to be based in New York with a global team but reporting into Head of Research in London. *To discuss further, in strictest confidence, please contact;*

Philip Rawlinson
Emerging Markets Search & Selection

Exceptional Opportunity in Corporate Finance

International Merchant Bank

Our client is a prestigious UK merchant bank with a prominent presence throughout Continental Europe. In view of its rapidly expanding *business, it now seeks to recruit an ambitious corporate financier who will be able to make an immediate contribution to the existing team,* probably at executive or manager level. There will be opportunities for significant career progression.

RESPONSIBILITIES:

- To execute transactions over the broad range of corporate finance with a particular focus on the UK and Continental Europe.
- *Products will include the following: M&A,* equity issuance, corporate advisory work, reconstructions and privatisation.
- *Play a leading role in dealing with clients, must be able to lead* his/her own transactions within a short space of time.
- Must be able to develop business and foster client relationships at an early stage.

QUALIFICATIONS:

- Aged *mid-20s to early 30s,* candidates are likely to be working in corporate finance at a US investment bank or UK merchant bank. Alternatively, individuals with a debt capital markets or leveraged finance background will also be considered.
- Candidates must have strong analytical abilities and a first class educational background which may include a professional qualification or an MBA.
- Linguistic abilities would be a distinct advantage, as would cross-border skills. In addition to technical attributes, candidates must be enthusiastic, self-motivated and committed.

Our client wishes to attract the highest calibre of person *to this position and, consequently, is willing to provide a highly* competitive base salary, significant performance related bonus and the usual range of benefits.

In the first instance please write enclosing a C.V. to:
J Porter, HB Advertising, 5 London Wall Buildings, Finsbury Circus, London EC2M 5NT.

No candidate details will be forwarded to the Bank without prior express approval from the individual.

A D V E R T I S I N G

Defined Contribution Sales Specialist

Leading Asset Management Group
City
Excellent package

Our client, the Life Assurance subsidiary of a leading UK Asset Management Group is enjoying substantial growth in the defined contribution pension market. Their success is due not only to their excellent investment performance record but also to the depth and detail nf technical information and back up that they are able to provide. A sales specialist is now sought to further progress their leading position in the UK marketplace.

Aged 35-45, you will not only have a proven sales track record gained in institutional sales to clients and consultants in the pensions sector, but also be able to operate at the most senior levels. A detailed technical knowledge of pensions most likely gained within a life company, will be of importance. The ability to achieve authorisatioo under PIA/IMRO ruling is imperative.

Working as a member of the pooled pensions team you will focus on gaining defined contribution business via the employee benefit consultancies and other fee charging advisers *throughout the UK.* Key responsibilities will include making presentations to potential clients and to professional intermediaries and liaising with existing clients.

Remuneration will include a highly competitive basic salary and bonus scheme with an excellent fringe benefits package. In the first instance, please send a full CV including salary details quoting reference 1083 to Fiona Law at FLA Ltd, 211 Piccadilly, London W1V 9LD. Tel: 071-738 9732.

FLA
SEARCH, SELECTION AND CONSULTANCY SERVICES

Executive – Corporate Finance

Media and Telecommunications

London **Competitive package**

As one of the leading UK merchant banks advising many UK and international groups on a full range of corporate finance transactions, we are seeking an exceptional senior executive to join a successful, specialist team involved with an existing base of prestigious clients in the media and telecommunications sectors.

Key responsibilities include providing advice and creative solutions for existing clients, developing our portfolio of clients through research, ideas and presentations and assisting in the implementation of transactions.

A graduate, with a professional qualification in accounting, or an MBA, you will have three years' experience of corporate finance transactions. Including substantial exposure to the media sector: publishing, TV or advertising. This may have been gained in the corporate strategy department of a major corporation, an advisory unit within a professional firm, within a merchant bank or from a media consultancy. Your knowledge of this sector will be thorough, your analytical and presentation skills excellent and you will have a strong desire to transact business. Fluency in a European language would be useful.

To apply, please write enclosing a CV and details of your current remuneration package, to:
Mrs C M Lambert, Assistant Director,
Hambros Bank Limited, 41 Tower Hill,
London EC3N 4HA. Tel: 071-480 5000

HAMBROS BANK LIMITED

Our client is a Triple A international bank, one of the world's 100 largest, located in southern Germany. The bank plans to expand its activities in the field of medium term notes, issuing and trading activities. Therefore the organisation is now looking for someone, male or female, to fill the following position

MTN and EUROBOND DEALER

to place the bank's own MTNs and to deal in Euro-bonds. The successful candidate will be experienced in the issuing of MTNs including trading asset swaps. He/She will have an international client base and will be expected to build upon this.

Good banking qualifications and experience in trading of syndicated securities with international investment clients is required, in addition to an appreciation of financial risks and an ability to find market niches. Excellent communication skills and an ability to work well within a team are also prerequisites. Fluent German is not necessary but a basic knowledge would be an advantage.

Interested? Please send your C.V. - in English or German - including your earliest starting date and your current salary, under reference number 1148 to Mr. Immanuel Guth, personnel consultant. All applications will be handled in strict confidence.

Immanuel Guth
Gerhard-H. Koch
Dr. Peter Welsch
Unternehmensberater
Humboldtstraße 38
70771 Leinfelden-Echterdingen
☎ 07 11 - 9 47 78-0

Dr. Welsch · Koch · Partner

TOP OPPORTUNITIES

SENIOR POSITIONS IN GENERAL MANAGEMENT

Managing Director - Healthcare Sector

Czech Republic

This leading German healthcare group, with a turnover in excess of DM 5 billion, was established over 130 years ago and now employs 20,000 staff worldwide in more than 100 countries. Having enjoyed an indirect presence in the Czech marketplace for 25 years, the company is now establishing a wholly-owned local subsidiary in Brno, which will be operational by mid-1995.

An experienced Managing Director of exceptional calibre is sought to drive this new venture. Reporting to the German-based General Manager, Middle & East Europe, the appointee will hold full responsibility for the sales, profitability, international reporting and financial management of the company, as well as overseeing implementation of an EDP system and managing the human resource function.

Ideally aged in their mid 30s, candidates will be graduates with a financial background combined with a proven track record of successful man management.

Previous experience within a multi-national environment would be an advantage. Candidates should have a good command of Czech and must be fluent in either English (preferred) or German. Personal qualities will include integrity, loyalty, excellent interpersonal skills and an outgoing personality.

This is an exceptional opportunity to play a key role in the further development of this highly successful company and offers excellent career development prospects.

Please send a full CV in English, quoting reference number 24.537 and including details of current remuneration, to Claudia *Daeubner, c/o H. Neumann* International, Guenthergasse 3, A-1090 Vienna, Austria. (Fax: + +43-1-4014077).

NEUMANN

Executive Search • Selection • Management Audit • Human Resource Consulting

MANAGING DIRECTOR/CHIEF EXECUTIVE

Required for a new Commercial Bank in Zambia. A first class experienced person is required to take charge and be responsible for handling all operations for both corporate and private accounts.

Replies in writing to: Box A5033, Financial Times, One Southwark Bridge, London SE1 9HL

The Top Opportunities Section

Advertise your senior management positions to Europe's business readership. For information please contact:

Sam Morris
+44 71 873 4027

Joanne Gerrard
+44 71 873 4153

Andrew Skarzynski
+44 71 873 4054

Karl Loynton
+44 71 873 3351

EASD

EUROPEAN ASSOCIATION OF SECURITIES DEALERS

In November 1994, the European Association of Securities Dealers (EASD) was launched by 30 Founder Members. The mission of EASD is to promote and develop the European securities markets for growing and smaller companies in Europe. Within this mission, the EASD will give leading input into the creation of EASDAQ, a new pan-European stock market (EASD Automated Quotation) dedicated to growing enterprises, to be launched by the end of 1995. By this time, the EASD membership will grow to include 100 leading capital market participants supportive to the EASD mission and objectives.

To achieve the objectives, the EASD is seeking to recruit a (m/f)

Secretary General

who will head up the day-to-day operations based in Brussels.

You will co-ordinate the workings of the EASD Board, Executive Committee, General Assembly of Members and several Working Committees. You will lobby policy makers, regulators and stock exchanges on the national and international level; handle press and public relations and generally represent the EASD to the wider public and develop the EASD into a leading body in Europe's capital markets.

You are minimum 35 years old and have a business related university level degree. You can show several years experience in dealing with senior executives and policy makers on an international level, and have a thorough understanding of the international securities market. You are fluent in English and proficient in a number of other languages. You have outstanding communication skills and a solid work capacity.

MSL international

Please write with full career and salary details to our consultants, MSL International, for the attentioo of Mr. Jan Adins, Stationsstraat 24/12, B-1930 Zaventem, Belgium.

BANKING FINANCE & GENERAL APPOINTMENTS

Corporate Finance – Telecommunications

UBS is seeking candidates with experience in telecommunications for a position in corporate finance. The successful candidates will have:

- Four years or more of investment banking experience, primarily with European clients.
- A knowledge of the telecommunications industry.
- Experience in privatisations and equity market transactions.
- Fluency in one or more European languages.
- Strong academic qualifications; preferably including an MBA.

The position will include involvement in a wide range of equity and advisory projects, and will involve both business development and transaction execution.

Highly competitive compensation.

Interested candidates should send a curriculum vitae in confidence to:

Michael Lehmann, Managing Director
Corporate Finance Department
UBS Limited
100 Liverpool Street
Loodoo EC2M 2RH

UBS Limited

MARKET ANALYSIS MANAGER

c.£30,000 PLUS CAR AND BANKING BENEFITS

LONDON

The Royal Bank of Scotland's wholesale banking business - Corporate and Institutional Banking Division - meets the needs of large sophisticated corporales and major financial institutions. The activities of the business include Corporate Banking, Treasury and Capital Markets, Securities Services and Structured Finance. We are already a key player in the market and still growing fast.

We are now looking for a Market Analysis Manager who, working in a small central marketing department, will make an important strategic contribution to the business's planning process. Specifically, you will develop and manage databases of existing customers and of the market as a whole, contribute towards the development and management of risk adjusted systems of measuring customer profitability and on the basis of internal and external data, make recommendations on business development strategies, pricing and resource allocation.

A graduate with a financially orientated degree and a minimum of six years' work experience, you will probably be educated to MBA level or equivalent. Ynu will be a confident, pragmatic team player, strong both strategically and analytically. Experience of the financial services industry (ideally in the large corporate market) and of business to business sales and marketing would be an advantage. Excellent PC skills, including proficiency in the use of spreadsheet packages, are essential.

Against a background of continuing growth and innovation, there is excellent scope for personal and professional development.

To apply, please forward your CV to Helen Pile, The Royal Bank of Scotland plc, Waterhouse Square, 138-142 Holborn, London EC1N 2TH.

Committed to Equal Opportunities

The Royal Bank of Scotland
WHERE PEOPLE MATTER

Advent International

CORPORATE VENTURE CAPITAL ANALYST/ASSOCIATE

Advent International is seeking an analyst/associate to work in its Corporate and Financial Services Group. The primary roles of the position are:

- Support and manage client relationships with major multinational corporations.
- Create strategic alliances and carry out technology-oriented mergers and acquisitions mandates.
- Work on venture capital transactions.

Advent International is one of the world's largest venture capital organisations, with over $1 billion under management, 200 portfolio companies, 6 offices across the globe, and affiliated venture capital firms operating in over 30 countries. Advent International is the leader in providing dedicated venture capital funds to major corporations using venture capital as a tool for business development. Advent International manages fourteen dedicated funds for clients from Europe, North America, Japan and Australia.

Candidates will be top graduates with a minimum of two years of full time experience at a leading consulting firm or merchant bank. Skills or interests required are:

- Client management service
- Strong analytical ability
- Interest in/affinity for technology
- Organisational skills, ability to prioritise
- Independent and self directed work style
- Excellent communications and presentation skills
- European languages and continental European experience.

Packages to £40,000 depending on experience.

Candidates should send a letter and resume to:

Advent International plc, 39 Victoria Street, London SW1H OEE

MEMBER OF IMRO

FP CONSULT - PARIS

EMERGING MARKETS EQUITY FUND MANAGER

Our firm, a French leading specialist in Emerging Markets Fund Management, is looking now to recruit an additionnal Emerging markets equities Fund Manager.

Reporting to the Equities Investment Manager, the succesfull candidate will operate as a member of a highly focused team with specific responsibilities for selected countries.

He or she will be expected to be a graduate with minimum two years experience in international equity management or possibly in a trading and analysis research role.

Good communication skills, fluency in French and English, knowledge of softwares are required.

Please apply in writing with full details of career to COR'EX, Dominique POTIRON 11, avenue Myron T. Herrick - 75008 PARIS FRANCE - Tél. (33-1) 42 56 29 57.

COR'EX

MOODY'S INVESTORS SERVICE LTD

Moody's Investors Service, the US international credit rating agency, has built a worldwide reputatioo for its credit analysis. The agency provides investors with rating opinions on the relative creditworthiness of banks, governments, corporates, and other entities. Its Financial Institutions Group analyses the creditworthiness of banks, bank financing aod deposit obligations, and currently rates 600 banks worldwide.

ASSOCIATE ANALYST

Moody's London Financial Institutions Group is now looking to recruit an individual who will undertake in-depth bank credit research and quantitative analysis. We are seeking a numerate Masters graduate with at least 4-6 years relevant analytical/bank credit experience. Some knowledge of Middle Eastern banking would also be an advantage since this would enhance our skill base in London.

PC skills, including knowledge of spreadsheets and databases is essential. Fluency in English is also a requirement, as are strong written and presentation skills.

Please reply to: Sara Lord/Human Resources Administrator - Europe, Moody's Investors Service Ltd, 51 Eastcheap, London EC3M 1LB

WORLDINVEST

ASIAN EQUITIES

International Investment Management

WorldInvest Limited is an independent, employee owned investment management company managing assets in excess of $6 billion, with some $2 billion invested in the Far East.

The growth of funds has resulted in the need to appoint an additional fund manager to join our existing team of three Far East specialists.

We wish to recruit an analyst/fund manager, probably aged around 30 and educated to degree level, with 3/5 years experience of Asian markets. Experience investing in Korea/Taiwan/Thailand/Indonesia or the Philippines would be an advantage. Emphasis will be placed on company and market knowledge and an ability to generate successful stock selection ideas.

An attractive salary, generous bonus scheme and benefits package will be awarded.

If you would welcome the opportunity to work with a considerable degree of discretion within a small progressive team, please write with your C.V., to:

Miss V Judge
Personnel Department
WorldInvest Limited
55 Russell Square
London, WC1B 4HP

Wir sind ein Börsenmaklerbüro an der Rheinisch-Westfälischen Börse zu Düsseldorf, welches sich hauptsächlich mit der Vermittlung von festverzinslichen Wertpapieren zwischen Banken beschäftigt. Für unser expandierendes Maklerbüro suchen wir

Wertpapierhändler

für die Bereiche

Bundesanleihen
Repos/Wertpapierleihe
OTC
ZINSSWAPS

Sie sollten zwischen 23 und 30 Jahren alt sein und über sehr gute Deutsch- und Englischkenntnisse verfügen. Es erwartet Sie ein junges Team, in welchem Sie gute Entwicklungschancen haben.
Wenn Sie erfahren sind im Handel mit Wertpapieren oder Derivaten, senden Sie bitte Ihre Bewerbungsunterlagen mit Lichtbild an:

Gerhard Spätz - Hans Joachim Huper
Wertpapierhandel GmbH
Flinger Str. 11
40213 Düsseldorf (Germany)
Tel: +49 - 211 - 86000

THE BANK OF NEW YORK

Madrid Representative

The Bank of New York has an outstanding opportunity in Madrid to manage its Representative Office. The selected individual will be responsible for expanding existing relationships and developing new business opportunities with Spanish and Portuguese financial institutions.

Candidates must have a college degree and at least 8 years of successful sales experience in a U.S. or Western European bank or in the finance department of a multinational corporation. Product knowledge in U.S. dollar clearing, trade services, and securities processing is very important and **fluency in Spanish and English is required.** Fluency in Portuguese would be a plus.

We offer a competitive salary and benefits package. Please send your resume to: The Bank of New York, Personnel/LR, One Wall Street, 13th Floor, NY, NY USA 10286, or fax to LR at (212) 635-7445.

EQUAL OPPORTUNITY EMPLOYER

RELATIONSHIP MANAGER

INSURANCE SECTOR - INTERNATIONAL BANKING GROUP

CITY **c.£65,000 + BONUS + BENEFITS**

- Success of the UK Corporate Banking division of this Pacific Rim Banking Group has led to the establishment of a non-banking financial institutions team and this *significant* opportunity.
- Clearly focused Banking Group following substantial realignment of the core businesses over the past two years. Highly profitable, strongly capitalised, and intent on maximising competitive advantage.
- Reporting to the European Head of Corporate Banking and Financial Institutions. Focus is on relationship building within the Insurance Sector which is seen as a major growth area. Key role with responsibility for managing existing clients, and developing new opportunities.
- Probably aged 20s to mid 30s and degree calibre. Three to five years experience in relationship management with specific insurance sector exposure.
- Strong credit training and analytical skills combined with in-depth industry knowledge and sound understanding of the structuring of on and off balance sheet products within the insurance sector.
- Highly motivated, determined business developer. Established, credible performer in the sector. Good presence with excellent interpersonal skills. Able to establish strong and lasting relationships at senior levels. Strong team player with potential for further development within a business in the midst of significant transformation.

Please apply in writing quoting reference 858
with full career and salary details to:
Phil Bainbridge
Whitehead Selection Limited
43 Welbeck Street, London W1M 7HF
Tel: 071 637 8736

Whitehead SELECTION
A Whitehead Mann Group PLC company

Head of Custody & Settlements

Excellent Package **London or Edinburgh**

Superb opportunity to lead successful securities services operation within prestigious, blue chip financial institution.

THE COMPANY
- Major player in the UK securities market providing trustee and custodian services.
- High profile operation with major ambitions. Sound structure and systems in place.
- Dedicated to expanding the business in UK and increasing profitability.

THE POSITION
- Enhance company's profile as a leader in the market. Grow the business through strong marketing strategy.
- Lead an expanding operation and ensure highest standards of quality. Flexibility over job location.
- Develop and maintain client relationships. Manage an experienced team and work closely with colleagues throughout the Group.

QUALIFICATIONS
- Wide knowledge of trustee and securities custodian services. Seasoned business developer in financial services industry.
- Leader with presence and flair to drive business forward and enhance services.
- At least 10 years' senior management experience. Self-starter with vision and excellent communication skills. Mature, enthusiastic team player.

Please send full cv, stating salary, ref CP0346, to NBS, 10 Arthur Street, London EC4R 9AY

N B SELECTION LTD
a BNB Resources plc company

N·B·S

CITY 0171 623 1520
Aberdeen 01224 638080 • Birmingham 0121 233 4656
Bristol 0117 929 1142 • Edinburgh 0131 220 2400
Glasgow 0141 204 4334 • Leeds 0113 245 3830
Manchester 01625 539953 • Slough 01753 819227

CORPORATE DISTRESSED DEBT ANALYST

Salary : Excellent **Bonus/Banking Benefits**

Our client, a major bank, invests and trades in distressed and non-performing corporate debt. Due to expansion in this area an opportunity has arisen for, an experienced analyst to analyse and recommend debt trading opportunities. The position entails investigating opportunities, information gathering, cash-flow projections and evaluation of debt/assets.

The successful applicant will be a graduate and trained analyst. Proven financial analysis and excellent PC (spreadsheet) skills are a must, but experience with insolvency, bond and equity markets would be helpful.

For further information, please write in confidence to Ron Bradley at the address below (E50011)

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Telephone 071-623 1266 Facsimile 071-626 5259

JONATHAN WREN EXECUTIVE

CHIEF ACCOUNTANT

c £60,000 plus Banking Benefits

Our client, a leading European Bank, is seeking to strengthen their senior management team by the recruitment of an experienced bank accountant. It is intended that the individual will develop and run the accountancy function within the bank, and there will also be an emphasis on systems.

Applications are sought from graduate chartered accountants with at least 5 years experience of leading a finance function within a commercial bank. Candidates must be able to demonstrate excellent written and spoken communication skills, as well as a proven track record within banking. Familiarity with mainframe systems would be an advantage.

Interested applicants should send their cvs to Helen Highet, Executive Consultant, quoting the reference (E50015). Covering letters should include full salary details.

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Telephone 071-623 1266 Facsimile 071-626 5259

JONATHAN WREN EXECUTIVE

Two attractive Investment Management opportunities....

FRENCH & GERMAN EQUITIES

Our client is a major European investment house with some $12 billion under management on behalf of global institutional clients. The successful winning of new business in 1994 and the further planned growth in the future has resulted in the need to strengthen the European Equity team.

A need has thus arisen to appoint two specialist Fund Managers to take full responsibility for all investment in French and German Equities respectively. The individuals will be required to carry out all fundamental, economic, market and company research and to contribute to asset allocation discussions within European markets. They may have experience in one other European market.

The successful candidates, probably aged 28/32 and educated to degree level, must have 3/5 years' in-depth experience of their respective markets with a proven record as a stock picker. They must be self motivated and be keen to bring original thought to a dynamic and progressive investment team.

A competitive salary, plus an attractive bonus and benfits scheme, will be available.

Please write in strict confidence, with your c.v. and performance record, to Martin Symon (ref E50004) at the address below.

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Telephone 071-623 1266 Facsimile 071-626 5259

JONATHAN WREN EXECUTIVE

COMPLIANCE & INTERNAL AUDIT

c £40,000 plus Banking Benefits

Our client, the London branch of a major international bank has an excellent opportunity for an experienced bank auditor. The role will be a broad ranging one designed to evaluate the adequacy of internal control in all areas of operations, administration and finance.

Candidates must have several years experience of audit within the banking environment, and must be able to demonstrate knowledge of treasury and capital markets products. In addition, candidates should have current knowledge of SFA regulations and experience of the SFA review process. Applicants should also demonstrate strong analytical communication and presentation skills.

Interested candidates should send their cvs to Helen Highet, Executive Consultant, quoting the reference (E50016)

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Telephone 071-623 1266 Facsimile 071-626 5259

JONATHAN WREN EXECUTIVE

European Bank
for Reconstruction and Development

The European Bank has a unique challenge to assist the countries of central and eastern Europe and the former USSR in their transition to market economies. The European Bank supports projects through lending, making equity investments and providing technical assistance.

Along with a competitive compensation and relocation package, we offer action and achievement in a truly historical enterprise.

For the Bank's London based Credit & Commercial Co-Financing Department in the Finance Vice Presidency, we seek a:

Credit Portfolio Manager

Reporting to the Head of Portfolio Management.

Responsibilities: ☐ supervise a significant proportion of the EBRD's loans and investments; ☐ review and assess credit ratings of projects; ☐ make recommendations to management for provisions; ☐ assist with upgrading and redesigning the reporting and monitoring system.

The position will focus on investments in the Bank's countries of operation. The incumbent must establish, quickly, credibility with the bankers in the institution and monitor the expansion of a rapidly growing portfolio.

Requirements: ☐ 15 years experience in a major bank with a large credit portfolio; ☐ US bank training; ☐ extensive marketing experience with major clients; ☐ wide ranging knowledge of the credit structure of different industries; ☐ strong communication skills. ☐ Knowledge of the financial institution sector would be an advantage.

To apply, please write in English quoting reference number FT0195 to:
Mr Ernst Mahel, Principal Manager, Human Resources, European Bank for Reconstruction and Development, One Exchange Square, London EC2A 2EH.

All applications will be acknowledged.

Please help by not telephoning.

Fixed-Interest Fund Management

THE CITY

FP Asset Management Group manages investments on behalf of Friends Provident Life Office and a wide range of domestic and international clients. Funds under management are currently around £14 billion, of which over £3 billion is invested in UK fixed-interest, index-linked gilts, overseas bonds, sterling and foreign currency deposits. We are currently undergoing considerable expansion of our activities and are seeking to increase significantly funds under management from both retail and institutional sources.

As a consequence of this growth, we now need a highly-skilled and motivated individual to join our fixed-interest team, based in The City, which enjoys an established performance record. You will be involved in the management of our gilt and overseas bond portfolios with emphasis placed on close team work.

You should have a good degree, preferably in economics or mathematics, strong analytical skills and a few years' experience in fixed-interest fund management. More experienced candidates with proven track records will also be considered. Much of your success will depend on your independence of mind, commitment and your desire to excel both personally and as part of o team.

We offer an excellent remuneration package including competitive salary, bonus scheme, non-contributory pension, mortgage subsidy after qualifying period and free staff restaurant.

If you would like to take up this challenging opportunity to become a key member of an ambitious and successful fund management team, please write with your full cv to Mr H Carter, Director, FP Asset Management Group, 15 Old Bailey, London EC4M 7AP.

FP ASSET MANAGEMENT GROUP

STOCKBROKING

The London Office of an Australian Stockbroker wishes to expand its Equity Sales Desk.

Interested individuals should have a minimum of two to three years broking experience preferably in Australian Equities. We would also be interested in hearing from other market professionals currently selling equity products to institutions. Those who have European language skills and are marketing to Continental Europe would be of particular interest.

The compensation package is negotiable, based on experience and relevant attributes.

Applicants who would like to pursue this opportunity should forward full details of their qualifications and experience to:

James Neill,
Personnel Manager,
ANZ McCaughan Securities Limited,
3 Finsbury Square, London EC2A 1AD.

A Member of the ANZ Banking Group.

[هكذا عن الأصل]

TRAINING OFFICER - CITY

N M Rothschild & Sons Limited is looking for a high-calibre, self-motivated individual who will make a significant contribution to its training operations. There is strong commitment to training throughout the Group, and this role is important to the function's continuing development.

You will help business areas to identify training needs, develop training plans for individual business units, and assist in the design, delivery and evaluation of training programmes. Your responsibilities will also include researching courses and suppliers, updating training materials, maintaining course records and contributing to training policy.

Aged mid 20's, you will have a good degree and at least two years proven training experience ideally gained in a merchant bank or similar environment. Computer literacy is essential, while a strong technical orientation and knowledge of regulatory authorities would be advantageous. Excellent communication and organisational skills, a flexible, creative approach and the ability to deal with senior individuals are key requirements.

An excellent remuneration and benefits package will be available for the right person. Please apply, enclosing your CV, indicating your current remuneration, to Sara Greve, Personnel Manager, N M Rothschild & Sons Limited, New Court, St. Swithin's Lane, London, EC4P 4DU.

All applications will be treated in the strictest confidence.

N M ROTHSCHILD & SONS LIMITED

Structured Finance

Major UK Merchant Bank

Excellent Salary Package **City**

Outstanding senior structured financier required to join rapidly expanding tax-based finance team.

THE COMPANY
- Pre-eminent, international merchant bank with substantial capital resources.
- Ambitious, growing team with acknowledged product and market expertise.
- Focus on first class client service. Clear strategy.

THE POSITION
- Advise wide range of blue chip clients on the structuring and financing of innovative tax-based transactions. Appointment at Director or Assistant Director level.
- Key part of small successful team. Develop and manage client relationships. Originate and transact deals.
- Bring highest standards of professionalism and technical expertise at critical stage of growth.

QUALIFICATIONS
- Seasoned structured financier with proven record of success in major merchant bank.
- Demonstrable ability to structure and close complex transactions. Entrepreneurial, deal driven self-starter.
- Graduate with vigorous, confident and commercial approach. Excellent written and oral communication skills. PC literate.

Please send full cv, stating salary, ref CP0227, to NBS, 10 Arthur Street, London EC4R 9AY

N B SELECTION LTD
a BNB Resources plc company

N·B·S

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Aberdeen 01224 638080 • Birmingham 0121 233 4656
Bristol 0117 929 1142 • Edinburgh 0131 220 2400
Glasgow 0141 204 4334 • Leeds 0113 245 3830
Manchester 01625 539953 • Slough 01753 819227

Top class audit consulting. In a world class business.

International role - Excellent Package

Fidelity Investments is the world's largest independent investment management organisation, with managed funds in excess of $300 billion. As a Senior Audit Consultant, you will play a high profile and strategic role in ensuring we continue to improve operational performance, right across our international business.

Your time will be split between the UK and US - predominantly working on the Broker side of our business, as a key part of our operational and strategic initiatives. Specifically, you will be primarily responsible for varied international audits - identifying opportunities for improving operational efficiency, developing and maintaining best practice: all-in-all providing a valued voice through reviews, the implementation of initiatives - and the strengthening of senior management information.

You are likely to have a 'Big Six' background - though the key pre-requisites revolve around an understanding of the brokerage business (including UK settlement, rolling settlement and Talisman) and a good knowledge of the SFA regulatory environment. As a Chartered Accountant with five or more years' experience, you will also have a combination of first-class technical ability, confident communication skills - and the personal credibility to gain professional respect at the highest levels.

The package offered - including training in the US - is excellent; whilst the prospects are everything you would associate with a successful, growing, international company.

If you feel you have the skills and experience to make the most of this role, please send your cv to Dianne Hasler, Fidelity Investment Services Ltd, Oakhill House, 130 Tonbridge Road, Hildenborough, Tonbridge, Kent. TN11 9DZ.

Fidelity Investments™

Investment Manager Research Controller

William M. Mercer is one of the country's leading remuneration, actuarial and employee benefits consultancies.

Our Asset Planning department is operating at the leading edge of investment manager research in the UK, producing qualitative research which we regard as second to none.

We are now seeking an individual to have a responsibility for the co-ordination and administration of our manager research database.

The successful candidate will need to be able to demonstrate a recognition of the absolute requirement for accuracy in the statistics and have a genuine interest in both analysing data and designing a user interface with the database.

Responsibilities will include:
- direct liaison with investment managers to secure precise and timely data
- collation of data and maintenance of database
- ensuring complete integrity of data
- efficient and effective dissemination of data
- production of reports
- responding to consultants needs.

He or she will be joining a lively team with access to global resources and working in a growing research field.

Remuneration will depend on experience, which should be a minimum of five years' experience in an investment field.

Apply in confidence and in your own handwriting to Mrs Kim Cottrell at the address below.

WILLIAM M. MERCER LIMITED
A Member of IMRO

Telford House, 14 Tothill Street, London SW1H 9NB
Tel: 071-222 9121

Clerical Medical is a major force in the investment world and currently manages funds in excess of £11 billion. We have an enviable record in investment management, with financial products ranging from pension and life insurance arrangements to investment funds and unit trusts. We now have the following opportunities for experienced individuals to join our teams based in Central London.

Trainee Investment Analyst

A significant proportion of our funds are invested in international equities and are dealt with by our overseas team. Working within our Japanese team in a supportive capacity, you will initially undertake research and administration tasks. As you gain more experience you will be given increased responsibilities which should eventually lead to fund management.

To qualify, you should be a graduate with around two years' industrial or commercial experience. A financial background is not essential, although you should be highly numerate, computer literate and comfortable with spreadsheets. We will also be looking for excellent oral and written communications skills, an analytical mind and a genuine interest in investment management. Japanese language skills would be extremely useful.

Investment Communications

As part of our specialist investment communications team, your key responsibilities will be to provide investment information to our clients and give advice on the current thinking of our Investment Managers.

Ideally a graduate in a numerate discipline, you should also have 2 years' business experience within the finance sector. Good oral and written communication skills are particularly important as you will be required to issue topical bulletins, respond to ad-hoc queries from independent advisors and individual clients, and be involved in seminar preparation. Your PC skills will also be a valuable asset for areas such as statistical analysis and graphics production.

Both positions offer excellent opportunities in progress within a successful, international organisation. Salaries are naturally highly competitive and our benefits package includes non-contributory pension scheme, private health insurance and mortgage subsidy.

To apply, please write with full CV to Nick Morgan, Senior HR Advisor, Clerical Medical Investment Group, 15 St James's Square, London SW1Y 4LQ, stating clearly the position in which you are interested.

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UNION BANK OF FINLAND INTERNATIONAL S.A.

Luxembourg

PORTFOLIO MANAGER

Established in 1976, we are a subsidiary of the leading Finnish commercial bank. Our business in Luxembourg is focused on international private banking with related activities such as treasury and investment funds, carried out by a highly international team of 42 people.

The new Portfolio Manager will join an established team of five in a senior capacity, and will have responsibility for discretionary portfolio and fund management including the overall analysis of *risk/return alternatives (asset allocation)* with particular emphasis on the fixed income markets. You will also provide allocation recommendations to the private client advisors and participate in the further development of the Bank's overall portfolio management services.

The ideal candidate will be a university graduate with at least five years experience in international asset allocation, demonstrated by a track record. You must possess excellent oral and written communication skills, be PC literate and speak fluent English. A Scandinavian language would be an asset. Experience in fixed income instruments is a must, as is the ability to work as a member of a team.

We offer a competitive salary with an attractive bonus scheme as well as normal Luxembourg banking benefits.

Applications, including full career details, for this challenging position which provides excellent scope for personal development, should be sent to Ole K. Roed, PA Consulting Group, 23, Rue Aldringen, L-1118 Luxembourg
not later than February 10, 1995.
All applications will be treated with the strictest confidence.

PA Consulting Group
Creating Business Advantage

SENIOR ECONOMIST

Bloxham Stockbrokers - Ireland's leading independent stockbrokers require a senior economist to join its fixed income team at it's Dublin office. Primarily the role will involve the analysis and forecasting of trends across the major European economies with an emphasis on the domestic market.

Candidates should have a minimum of three years experience in fixed interest related markets and must demonstrate strong analytical skills with the ability to present ideas clearly.

IRISH GOVERNMENT BOND SALES

Due to continued expansion, we are looking to strengthen our sales team to service institutional fixed income clients in both the UK and Europe. A minimum of two years experience in gilt sales is required with preference given to candidates with an established institutional client base.

A highly competitive remuneration package will be offered to the right individuals.

To apply please write in complete confidence, enclosing full Curriculum Vitae, to:

The Personnel Manager
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Curran House
11 Fleet Street
Dublin 2

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You have 3 years' proven track record in spot trading and have developed a feeling for the market. A heavy work load is not a problem for you, but it's a challenge. You are also highly motivated.

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Please write to: Box A5037, Financial Times, One Southwark Bridge, London SE1 9HL

US EQUITY SALES

Expanding US Brokerage house with offices in New York and London seeks to add one or more institutional sales people to its London office. The ideal candidate will have an established client base but feels restricted in their current environment.

Interested persons should reply in writing to

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APPOINTMENTS ADVERTISING

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THE ROLE

- Reporting to the Group Finance Director, key member of lean Head Office team, conducting reviews and audits of business, financial and operational systems and presenting recommendations for improvement.
- Playing an influential role in existing and future operations by providing a hands-on consulting resource to Group companies and working closely with operational management.
- Helping to shape and improve business practices to global best standards as part of an on-going process to maximise shareholder value. Commitment to extensive overseas travel in North America, Europe and Japan will be essential.

THE QUALIFICATIONS

- Ambitious, commercial graduate ACA, aged mid 30s with international audit or financial analysis experience, preferably in the entertainment, media or fmcg field. Line financial management experience highly advantageous.
- Robust and perceptive with strong technical background and a commercial approach in ensuring best practice is maintained through frequent overseas visits.
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Please reply with full details to: Selector Europe, Ref. [illegible], 16 Connaught Place, London W2 2ED

Finance Manager

North Oxfordshire | **Excellent Package + car**

The Company, which forms part of a major diversified international Group, is the U.K.'s largest independent airtime provider. It has a turnover of £200m, 400 employees and has expanded very rapidly during the last year.

As a result of a reorganisation within the finance function, a Finance Manager is now required. Reporting to the Finance Director you will be responsible for all financial processing and control activities, the development of new systems and assisting with the preparation of monthly and annual accounts. You will manage a department of 15.

Aged about 30 and a qualified accountant (ACA or ACMA) you will have excellent financial accounting experience in industry/commerce. Exposure to sophisticated computer based systems and staff control experience are essential.

Relocation assistance will be provided, if necessary.

Please reply in confidence quoting reference 2446 to: Management Appointments Limited, Finland House, 56 Haymarket, London SW1Y 4RN. Telephone: 0171 930 6314. Fax: 0171 930 9539.

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International management opportunities

Rank Xerox is a world class organisation employing nearly 30,000 people and has customers throughout Europe, the Middle East and Africa. Renowned for their entrepreneurial vision their priorities are firmly focused on a continuing strategy of market growth and diversification throughout the world. By investing in key areas – Research, Development, Support, Manufacturing, Marketing, the Environment, and by keeping their focus on Leadership through Quality, Rank Xerox are developing an infrastructure that offers their customers unrivalled support.

Financial Controller Designate

Moscow £65,000 Pkg + Car + Accom + Expat Bens

Reporting to the Country Manager this broad role will encompass finance, administration, IS and logistics. Key aspects of the role are:

- Development of the finance function to support aggressive growth plans. This will require focused management information and the implementation of control procedures.
- Develop and enhance management information systems.
- Advise the country manager in all administrative and financial matters concerning the operation and the development of the country office.

The successful candidate will have gained significant experience at a senior level ideally within a technology related environment. It is essential that you speak fluent English and Russian. Candidates must be qualified with an excellent track record preferably gained in a multi-national organisation. You are likely to be in the age range of 35-45.

Finance Manager x 2

Warsaw/Sofia £45,000 Pkg + Car + Accom + Expat Bens

Reporting to the Country Manager you will be responsible for training and developing local staff in accounting and internal controls. The aspects of the role are:

- Submission of financial information to assist the country manager in controlling the business.
- Liaising with auditors, fiscal authorities, local legal advisers and banks.
- Control of receivables, cash, inventory and asset management.

You will be a fully qualified accountant, married or single, and willing to travel both nationally and internationally. You will be fluent in Polish/Bulgarian and English with a minimum of two years industry experience.

Ideally candidates will be aged 28-35 and currently in a managerial position.

With the advent of the single market and the opening of Eastern Europe, Rank Xerox will continue fast growth over the next decade. Both these opportunities offer excellent career prospects within the group and are rewarded with a generous remuneration package.

Interested applicants should forward a comprehensive CV, including current salary package and daytime telephone number to Frances McCutcheon at Michael Page Finance, Windsor Bridge House, 1 Brocas Street, Eton, Berkshire SL4 6BW.

MP
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FINANCIAL CONTROLLER

Quality Manufacturing

South West

£50,000 + Benefits + Full Relocation

This organisation has clearly established itself amongst the world leaders in the manufacture and distribution of specialist products for the Information Technology and Communications industries. Located at the group's European Centre, this site co-ordinates all research, product development, marketing and finance operations with a view to delivering total customer satisfaction.

A clearly defined strategy is in place to further compound on its successes to date by the appointment of a talented Financial professional who can contribute to and drive the European expansion plans forward. Reporting to the Managing Director and with high levels of operational input, you will:-

- Provide critical financial support and guidance by identifying key operational issues and implementing business driven solutions.
- Consolidate key financial and management accounting results for both internal and external reporting.
- Design and implement effective maintenance of all systems of control and forecasting for the business.
- Develop a first class and highly respected team covering financial operations and information systems thus increasing the profile of this high performing business function.

The successful candidate will be an outstanding graduate accountant who can demonstrate a significant record of achievement in a multi-national, quality driven manufacturing environment. You will possess highly developed interpersonal skills and be comfortable operating within a European culture where business travel is required.

*Interested candidates should write promptly, enclosing a full curriculum vitae quoting reference MR513, to **Mark Rowley** at Harrison Willis, Cardinal House, 39-40 Albemarle Street, London W1X 4ND.*

HARRISON WILLIS
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CHIEF EXECUTIVE – IRELAND
THE INSTITUTE OF CHARTEREO ACCOUNTANTS IN IRELAND

The Institute is the professional body for chartered accountants in Ireland, both North and South. It has over 9,000 members and 2,500 students. It employs over 70 people between its Dublin and Belfast offices. It is responsible for the training and education of chartered accountants, the setting and maintenance of professional standards, the licensing and regulation of practices and the provision of services to all its members. The present Chief Executive is retiring and a successor is now being sought.

Reporting to the President and Council, the Chief Executive will be fully responsible for the efficient day to day running of the Institute and all its functions. The role will involve the management and motivation of all Institute executives and staff, as well as being the driving force behind Institute Directorates and Comminees. The successful candidate will be required to develop and implement policy and strategy for the Institute, in consultation with the Council. The Chief Executive will be the Institute's public represeotative, aod will be expected to represent the Institute to both the media and public in an accomplished and professional manner.

Candidates, probably aged 35-45, should have senior managerial experience, preferably within a commercial environment, and well developed administrative and organisational skills. Commercial and financial ability is necessary. Excellent communication and presentation skills are essential. Candidates should be educated to degree level and possess a professional qualification. An excellent remuneration package, reflecting the importance of the position, will be provided.

If you would like to be considered for this appointment please send full personal, career and remuneration details to: John McCullough, KPMG Management Consulting, Stokes Place, St. Stephen's Green, Dublin 2, Fax. (01) 7081880 quoting Reference Number 4992.

KPMG Management Consulting

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- Fast growing, successful, highly profitable £135m turnover business; services world markets from a UK manufacturing base through subsidiary companies and a network of distributors.
- Reporting to the International Finance Director with close day to day involvement with the Operations Director; high level hands-on responsibility for a team of 5; brief is to improve the quality, accuracy, speed, flow and analysis of information, particularly in areas relating to product and manufacturing costs.
- Will appeal to high calibre Director potential candidates, ACA or CIMA qualified, with broad based accounting careers to date with a strong focus on manufacturing. MRPII experience is a pre-requisite; PRMS knowledge is ideal.

Please send a comprehensive CV to Howgate Sable & Partners, Lawns House, Lawns Lane, Leeds LS12 5EY. Tel: 0113-279 9000, Fax: 0113-279 9999, quoting ref: FT1130D.

Howgate Sable
SEARCH AND SELECTION: EXECUTIVES AND INDEPENDENT DIRECTORS

Finance

TREASURY MANAGER

c.£50,000 pa + car + benefits | **London W1**

Guinness PLC is one of the UK's leading consumer goods companies with a market capitalisation of over £8bn, 23,000 employees worldwide and a turnover in excess of £4bn. It has the most outstanding portfolio of premium drinks brands in the world, including Johnnie Walker, Bell's, Gordon's Gin and, of course, Guinness itself, the world's most celebrated stout. It is one of the few truly global beverage businesses.

An opportunity now exists for a Treasury professional with strong influencing and communication skills to join our international operations team.

You will be responsible for the provision of Treasury services to overseas subsidiaries and associates in a geographic region. Working alongside senior finance colleagues at both Group and operating unit level, and as part of multidisciplinary project teams, you will be required to demonstrate first class consultancy skills together with sound Treasury expertise.

You will have extensive Treasury management experience which you are likely to have gained within either an FT100 company with significant international operations, or a major accountancy firm. You will be a qualified accountant or a member of the Association of Corporate Treasurers (or an MCT finalist).

Candidates with linguistic skills, particularly those fluent in Spanish, German or French will be preferred.

Interested candidates should write in confidence, enclosing a CV to Lonsdale Advertising Services, 58-60 Rivington Street, London EC2A 3AY. Ref: FT/26

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Financial Analysts

Major Leisure Group

Exceptional career opportunities within recently restructured, quoted British plc with ambitious growth strategy and market leading brands.

Manager, Financial Analysis

c.£40,000 + Car & Benefits South East

THE POSITION

- Support growth through improved financial planning and analyses for key business sectors.
- High profile role. Extensive liaison with senior management and marketing product groups.
- Manage and motivate small, dedicated team. Perform ad hoc project work as required.

QUALIFICATIONS

- Ambitious graduate, CIMA or ACA, aged 27-35. IT literate. Financial planning and analysis experience from large, consumer focused group.
- Strategic thinker. Skilled manager with hands-on approach.
- Energetic, first class communicator. Potential to progress further.

Ref P0450

Financial Analyst

To £30,000 + Car & Benefits South East

THE POSITION

- Ideal entry position. Join lean, highly skilled team with exposure to all areas of the business.
- Analyse financial information and prepare incisive reports on operating performance.
- Involvement in ad hoc project work.

QUALIFICATIONS

- Ambitious CIMA or ACA, aged mid to late 20's. Strong spreadsheet and financial modelling skills.
- Sharp and enquiring mind. Confident team player with hands-on approach.
- Excellent interpersonal and communication skills. Keen to progress further.

Ref P0451

Please send full cv, stating salary, quoting relevant reference, to NBS, 54 Jermyn Street, London SW1Y 6LX

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WIMPEY CONSTRUCTION

FINANCIAL DIRECTOR

London W6

With a turnover of £700 million Wimpey Construction Ltd is the contracting division of George Wimpey plc. It has a reputation built upon a strong track record, with extensive interests in the UK as well as overseas in both civil engineering and building.

An exceptional opportunity has now arisen for an experienced executive to play a major role at the centre of the division. Working alongside the Divisional Chief Executive you will be responsible for the financial management and advice to the senior management team and be closely involved in all aspects of the business; this means taking strategic decisions which will determine the return on key investments. This is a very broad financial role, with emphasis on review and interpretation. Essentially, you must be a team player, prepared to contribute in general management issues, and have the interpersonal skills to liaise with internal colleagues and deal with all third parties.

It is essential, therefore, that you have previous experience within the contracting industry in an operational or, possibly, advisory role. It is unlikely that anyone under the age of 35 would have the necessary experience for this challenging role. You will be a qualified accountant who will be able to demonstrate the ability to take the division forward at a critical stage of the Group's development.

The package will reflect the importance of the role and will include the full range of executive benefits normally associated with a major company.

Please write with full CV, including salary history and daytime telephone number quoting reference 3079/FT, to John Sleigh FCCA, Phillips & Carpenter, 2-5 Old Bond Street, London W1X 3TB. Tel: 0171 493 0156.

Phillips & Carpenter

Search and Selection

Manager, Internal Audit

Television

London To £40,000 + car

By applying consistently high professional standards and investing in the most advanced technology, our client has maintained its international reputation for programme quality and its market leadership in the UK.

In line with a philosophy of efficient commercial management a need has been identified to recruit a manager for internal audit.

Whilst not specifically managing a team, you will report to the Finance Director and be expected to play a significant part in the management of the finance function. In addition to fulfilling an all encompassing audit and project based operational review role you will provide active support to the Chief Accountant, particularly in the areas of financial reporting and tax.

An ACA with varied post qualified experience and a track record of progression, you will possess the maturity and experience to make a constructive contribution to the efficient financial management of a fast moving business.

This role is atypical of the traditional view of internal audit and as such should be seen as a constructive career move, offering a blend of "hands on" financial control involvement with the opportunity to work closely with line management in facilitating change.

To apply in the strictest confidence please write, enclosing a full CV to Tim Musgrave.

THE BLOOMSBURY GROUP
(Search and Selection)

Second Floor, Bedford Chambers, Covent Garden, London WC2E 8HA.
Telephone: 0171 379 1100 *Fax: 0171 240 6362*

Schroders

Group Head of Internal Audit

leading a value-added function

Schroders is a leading international merchant and investment banking group with a well established presence in the world's major financial centres.

Based at the London headquarters you will be responsible for directing the internal audit function for our worldwide operations. Key to the role will be the effective management and development of a young and able team. Particular emphasis will be placed on adding value through the provision of proactive advice and support to our business functions while maintaining a high standard of management assurance.

As the successful candidate you are likely to be a graduate chartered accountant with proven management skills and the ability to establish credibility at a senior level within the organisation.

An investment banking background would be advantageous although you may, for example, have developed the requisite knowledge of financial products through working in a corporate with a sophisticated treasury and derivatives operation.

This is a high profile role involving significant international travel. The immediate challenge will be to develop our internal audit activities in a dynamic organisation which is developing at a global level.

There are first class career opportunities worldwide.

A generous remuneration package will include a competitive salary, performance bonus, car, mortgage subsidy and non-contributory pension.

Please send full career details, including current salary package and quoting reference A2230, to our retained consultant **Malcolm Lawson, at Codd Johnson Harris, Human Resource Consultants, 12 New Burlington Street, London W1X 1FF.**

CJH Codd • Johnson • Harris

Taxation Manager

c£60,000 + Car

This client is a £2 billion UK business conducting large scale international projects through a network of overseas subsidiaries, joint ventures and trading alliances.

They now seek to recruit a well rounded and experienced Tax Manager with significant international experience to lead the function by working with management pro-actively to ensure that the business is carried out in a tax efficient manner and that advice is both technically correct and commercially viable. The Manager must be willing to take ownership of issues not act in a purely advisory capacity.

Applicants must be experienced Tax professionals, probably not younger than mid-30's with the ability to establish sound working relationships with general management as well as other professional colleagues based on an ability to communicate clearly and robustly and by understanding the other person's problem. Whilst the position is based in central London there will be up to 8 weeks travel per annum, much of it overseas.

Please reply in confidence quoting Ref: L579 to:

Brian H. Mason,
Mason & Nurse Associates,
1 Lancaster Place, Strand,
London WC2E 7EB.
Tel: 071-240 7805.

Mason & Nurse
Selection and Search

Financial Controller

Thame, Oxon.
c£45000+excellent benefits

MicroTouch Systems Limited, is the world's *largest* manufacturer of touch screens with technology that makes using computers as easy as pointing a finger. Our innovative products, rapid growth and openness to new ideas have created a challenging environment with excellent career opportunities for our employees.

MicroTouch Systems is now seeking to recruit a Financial Controller to take full control of all UK finance, systems and administration. *Working closely with the Vice President (UK General Manager)* you should be capable of playing a major part in a business, and an industry, that is still at an early stage of its development but growing very rapidly. Additionally you should be:-

- Experienced in manufacturing (ideally in a high tech industry)
- Highly systems literate
- Suited to a flexible dynamic organisation
- Capable of communicating across disciplines
- Experienced in a European/ world-wide environment
- Able to significantly influence cash management

The ideal candidate is likely to possess a variety of experience including small and large company.

Applications should be sent in the first instance to our consultant Peter Newey at the address below or call him on (0582) 411575.

Farrer Barnes
Telford House, 102 Collingdon Street, Luton, Beds LU1 1RX

MicroTouch.

FARRER BARNES
Accountancy Recruitment

Commercial Director

c£70,000 + car & Incentive Bonus

Our client is an operating subsidiary of a major UK plc providing a range of marine services to the International Oil and Gas sector through a regional operating structure and is directed from a small strategic centre in Surrey.

The primary focus of the Commercial Director's role is the close liaison with the Chief Executive and Board colleagues in a very active programme to develop and extend the business, ranging from a searching analysis of operations to seeking further competitive advantage, and the successful pursuit, implementation and control of joint ventures and acquisition opportunities. He/she will also lead the finance function, already competently staffed at the centre and in the regions and ensure that it continues to drive for further improvements in timeliness and quality of reporting, financial forecasting and appraisal, and financial stewardship.

Applicants must be Graduate Chartered Accountants with a fast track career in the profession and a related industrial environment, experienced in managing the Balance Sheet as well as the bottom line. Business analytical skills and disciplined lateral thought need to be combined with a record for delivering results and interpersonal skills of a very high order. Age guideline mid-30's.

Please reply in confidence quoting Ref L578 to:

Brian H. Mason,
Mason & Nurse Associates,
1 Lancaster Place, Strand,
London WC2E 7EB.
Tel: 071-240 7805.

Mason & Nurse
Selection and Search

GROUP FINANCIAL CONTROLLER

London £35-40k

We are a group of companies engaged in the manufacture and distribution of industrial products with sales of £18 million. We are seeking a qualified accountant to join our small head office team and lead the group financial function.

You should be technically strong with a proven track record and a high degree of computer literacy. You should have a high energy level and the ability to relate well with operating and financial management in the group companies.

Please write with a CV to:

The Vice Chairman
PEXION Limited
15 Hanover Square, London W1R 9AJ

FINANCIAL CONTROLLER

High growth energy related construction company needs a bright experienced hands on person with good business sense. We are in the early stages of planned growth throughout the UK and Europe, and you can be instrumental in our success.

You will report both to the UK Managing Director and to the US parent, and must be professionally qualified or have equivalent practical knowledge.

You will need PC and accounting software expertise, and the ability to work constructively with our banks, lenders, and outside professionals.

London based, congenial office, compensation in £35,000 area. Please send us in confidence your CV, with your current compensation level, and a brief statement about how closely your experience & skills match our needs.

Write to Box A5117, Financial Times, One Southwark Bridge, London SE1 9HL

COMMODITIES AND AGRICULTURE

World wheat production 'down 31m tonnes in 1994'

By Deborah Hargreaves

World wheat production is estimated to have reached 527m tonnes last year – 1m tonnes higher than previously forecast but 31m tonnes lower than in 1993, according to the International Wheat Council's latest report.

The smaller harvest last year has left wheat stocks at an estimated 106m tonnes. Although this is 2m tonnes higher than the previous estimate, it is 18m tonnes lower than stock levels in 1993. The wheat council cites a report from the US Department of Agriculture that forecast US stocks at the end of 1994-1995 would fall to their lowest level for 20 years to only 12.7m tonnes.

However, planting conditions for this year's wheat crop have been favourable in many countries. Winter wheat plantings are up 1 per cent in the US – although this is lower than expected – and durum seedings up 9 per cent.

The council believes prospects for 1995-1996 wheat crops still look favourable and provided normal weather patterns prevail the 1995 world total should reach 560m tonnes.

China has proved a large purchaser of wheat on world market and its interest in buying wheat since late December bolstered futures and export prices although this effect was offset by the lack of strong demand from other purchasers. China's wheat imports are forecast at 12m tonnes – the highest level for three years.

Cocoa back above £1,000 a tonne

By Deborah Hargreaves

Cocoa pricea edged up yesterday in both London and New York with the London Commodity Exchange's second position futures contract closing £6 higher at £1,004 a tonne.

The improvement in prices followed a forecast by the International Cocoa Organisation of a drop in production of 1.2 per cent in the current 1994-1995 crop year to 2.4m tonnes. This is expected to lead to e supply deficit, of around 130,000 tonnes, for the fourth successive year.

The ICCO sees cocoa grindings up 2.5 per cent this year to a new record of 2.5m tonnes. That would leave stocks of roughly 1.3m tonnes, equal to about six months of demand.

Cocoa prices have been supported by the news of world deficits for some months, but the London market has struggled to stay above £1,000 a tonne. Analysts say any further price rise is unlikely to be dramatic.

"Prices are now 25 per cent higher than they were a year ago – there just isn't enough consumer demand to push the market much higher," said Mr Jo Arata, analyst at Merrill Lynch in New York.

Dubai aluminium plan 'good news'

By Kenneth Gooding, Mining Correspondent

A US$500m expansion project by Dubai Aluminium (Dubal) that will add more than 50 per cent to its present capacity, was good news for consumers of the metal, analyats suggested yesterday.

"This will have no impact on the market until 1997 and by then the world will be needing 1m more tonnes of annual capacity," said Mr Stewart Spector, author of the New York-based Spector Report.

Mr Adam Rowley, analyst at Macquarie Equities, part of the Australian banking group, pointed out that it was widely accepted that prices of $1,650 a tonne would stimulate new aluminium smelting capacity. "So with prices at $2,200 and above – and forecasts that prices will stay high for some time – capacity increases like this should be expected."

Dubal said its expansion would increase annual aluminium production capacity from 245,000 tonnes to 372,600 tonnes. This would be achieved by installing a fifth production line of 240 "pots".

The company will use its own smelter technology, developed in co-operation with Comalco of Australia. Dubal suggested this was first time an industry in the Middle East had successfully developed and applied its own technology.

It also claimed financing for the project was unique in that half would be from Dubal's own resources and the rest from a five-year syndicated loan arranged and under-written by Merrill Lynch, the US financial services group, with participation from local as well as foreign banks.

Meanwhile, Venezuela's state-owned aluminium company, Corporacion Venezolana de Guayana (CVG), said this week that it hoped to increase production by 8.6 per cent from the 1994 level to 630,000 tonnes this year. Some Indian smelters that were closed because they were uneconomic when prices were low, might also be re-started.

Mr Spector insisted that aluminium prices were being driven up by a "genuine tight supply situation" and prices would stay higher than the average for two or three years more. This would encourage the industry to invest in more new capacity.

Pakistan reeling after third cotton failure

Farhan Bokhari on a problem that is being exacerbated by pesticide adulteration

Lush green fields surrounding tha villages outside the city of Faisalabad in Pakistan's agricultural heartland give no hint of the most recent catastrophe, which has devastated some of this country's poorest farmers and also threatens to hit the economy hard.

After the third harvest failure in succession many of the region's cotton farmers seriously doubt that it is worth persevering with the crop. And if too many decide to call it a day not only could the long term future of Pakistan's most important commodity be called into question but also the health of country's economy.

The government's latest estimates put the crop at about 7m bales, compared with the initial target of 9.5m, but some traders and textile businesses put the total as low as 6m bales. No one can be certain until the spring, when all the figures will have trickled in from the hundreds of cotton ginning factories across this country.

What is becoming increasingly clear, bowever, is that the crisis has resulted from a combination of a cruel nature and buman greed. Excessive rains across the cotton belt have been partly responsible for the crop damage, some agricultural experts say. But many acknowledge that widespread adulteration of pesticides also played a significant role. Many farmers sprayed their crops with the recommended doses but found that they still came under attack from the leaf curl virus.

At the national level, the cotton failure has once again cast a shadow over Pakistan's ability to regain the economic growth rate of over 6 per cent it enjoyed during the 1980s. Most analysts say that the cotton loss will push this year's growth rate below 5 per cent, compared with a target of 6.9 per cent. That performance appears in an even worse light when viewed against the background of an annual population growth of over 3 per cent. The country's international trade performance is also expected to suffer as almost 60 per cent of export revenues have traditionally been earned by cotton products.

The large textile sector is now expected to continue reeling under the pressure of rising prices of raw cotton and many textile businesses are bracing themselves for a third year of losses. Any hopes of recovery after a recent slump in Pakistani share prices are likely to be dashed by the cotton situation, because almost a third of the listed companies are in the textiles business.

The cotton crisis has begun to ring alarm bells at the top government level, where decision-makers are clearly worried about its implications for the economy. Benazir Bhutto, the prime minister, concedes that it is "a serious setback" to her government's plans for economic recovery, and the cotton crop results could add to growing inflationary pressures. President Farooq Ahmed Leghari has consulted cotton scientists and government officials to find out if the government can take any steps to improve next year's crop performance.

Back in the fields, opinion is divided about what to do in the future. For some farmers, the cotton crop carries far more incentives than any other, such as rice or sugar-cane; but for others, the risks are not worth taking. Mr Abdul Majeed, a small farmer in a village outside Faisalebad, points to a half empty can of pesticide in his back yard. "I opened this can and suspected that it did not smell right," he says. "I took it back to the dealer. But I have neither been refunded nor given a replacement." Hundreds of other farmers have shared that experience.

Mr Abdul Ghafoor Khan, a leading cotton scientist at the government's cotton research Institute in Feisalabed, acknowledges that "adulteration has been the biggest problem". The government is now considering tougher laws, including jail sentences, to fight adulteration; but Mr Khan wants to see assurances that, despite concerns over widespread corruption in the legal and police networks, the laws can be properly enforced. "Our laws are beautiful hut there's not much enforcement," be complains.

Meanwhile, Mr Majeed still considers himself to be fortunate. Of his two acres of cotton, only half an acre was dameged. He still managed to make up to 130 per cent profit on the rest. He is now determined to plant the crop next year in the hope thet even if part of it is damaged higb prices for the rest will compensate him.

For peasants like him, moreover, switching to another crop is not easy. In his village farmers once grew sugar-cane on a large scale; but that crop has virtually been abandoned because of the poor payment record of the sugar factories. Some farmers have had to wait almost a year for their money.

In the long term scientists like Mr Khan want to see more money pumped into research and intensified efforts for the development of varieties that are resistant to the virus that has attacked Pakistan's cotton in recent years.

Resources are scarce, however. People at his institute are still waiting to see if up to Rs34.4m (US$1.1m) sanctioned by the government for a new cotton researcb project over two years ago, will be delivered in time to start work ahead of the next crop.

Cotton crop damage meanwhile perpetuates a vicious circle. Because of this year's estimates and tbe government's overall failure to meet its revenue targets for the first six months of the financial year (July-December), many officials fear that developmental expenditure may suffer in the coming months. No one knows how the tough cboices being faced in Islamabad will affect its efforts to revive production of the country's most important crop.

Re-export ban leaves Indian sugar trade in a tangle

By Kunal Bose in Calcutta

India has banned the re-export of sugar imported by private traders. The moved is believed to be linked to the continuing controversy over sugar imports by state agencies last year that forced Mr Kalpanath Rai, the food minister, to resign.

A sharp production setback during the 1993-94 season (October-September) prompted the government to allow duty-free imports by both the state agencies and the private sector. The imports amounted to about 1.9m tonnes.

The private traders, who are holding stocks of over 400,000 tonnes of imported sugar, started re-exporting it last month as they found that, following a steep fall in local prices, disposal in the domestic market would lose them over Rs800m (£16m), according to industry officials.

The high sugar price in May and June last year was a major embarrassment for the government and one reason for the setback suffered by the ruling Congress Party in the December state elections. But the prevailing unremunerative price is hardly less of a problem. It will push a large number of processors into the red, industry officials say. "A situation is fast developing when the factories will not be able to clear the cane bills in time," says Mr O.P. Dhanuka, of the Indian Sugar Mills Association. "This could be major disincentive for the farmers to grow cane."

Tbe government, whicb tightly controls the industry by taking 40 per cent of production at below the market rate for distribution through "fair price shops", regulating releases of sugar by the factories and licensing new cane crushing capacity is, however, not expected to bail the industry out at this stage. State assembly elections in Maharashtra, Gujarat, Bihar, Orissa and Arunachal Pradesh will be held in February and March and the government does not want the sugar price to rise.

Before the ban on re-export was imposed this month the private traders had sold about 100,000 tonnes of sugar overseas. Pointing out that the presence of a big quantity of imported sugar was largely responsible for depressed local prices, industry officials suggest that the government should create e buffer stock by purchasing it.

While the private sector is desperately looking for ways to dispose of the imported sugar, the government trading agencies have caused consternation by floating tenders for further imports. This move and also talk of raising the level of government procurement may have been triggered by an early production forecast of 11.8m tonnes in 1994-95. However, estimated output of 4.11m tonnes up to December, against 3.06m tonnes in the first three months of 1993-94, and the size of the standing crop have raised hopes tbat India will produce 12.7m tonnes, np from 9.83m last season.

Total availability of the commodity would, however, be 14.94m tonnes, including the carryover of 2.24m tonnes, enough to satisfy domestic demand, which is expected to rise to 12.5m tonnes from 12.1m, and leave a comfortable end-season surplus.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	2107-8	2148-9
Previous	2128-7	2167-8
High/low		2168/2139
AM Official	2122.5-3.5	2164-4.5
Kerb close		2147-9
Open int.	227,272	
Total daily turnover	48,807	

■ ALUMINIUM ALLOY ($ per tonne)

Close	2010-15	2050-55
Previous	2020-30	2060-70
High/low		2055/2050
AM Official	2020-25	2060-65
Kerb close		2050-55
Open int.	2,790	
Total daily turnover	208	

■ LEAD ($ per tonne)

Close	676-7	693-3.5
Previous	687.5-8.5	705-5.5
High/low		700/691
AM Official	680-1	695-5.5
Kerb close		694-5
Open int.	39,297	
Total daily turnover	6,760	

■ NICKEL ($ per tonne)

Close	9960-70	10125-35
Previous	10155-65	10330-31
High/low	10010	10290/9950
AM Official	10005-15	10181-85
Kerb close		10180-90
Open int.	59,165	
Total daily turnover	14,895	

■ TIN ($ per tonne)

Close	6340-50	6435-40
Previous	6445-55	6545-55
High/low		6520/6380
AM Official	6390-400	6480-90
Kerb close		6380-90
Open int.	22,669	
Total daily turnover	4,723	

■ ZINC, special high grade ($ per tonne)

Close	1159-60	1188.5-7.5
Previous	1176-7	1203-4
High/low		1200/1180
AM Official	1157-9	1186-6.5
Kerb close		1184-5
Open int.	101,926	
Total daily turnover	28,657	

■ COPPER, grade A ($ per tonne)

Close	3002.5-3.5	3000-1
Previous	3020-22	3023-4
High/low	3021	3019/2985
AM Official	3020-1	3015-6
Kerb close		2985-8
Open int.	231,557	
Total daily turnover	84,174	

■ LME AM Official £/$ rate: 1.5925
LME Closing £/$ rate: 1.5922

Spot:1.5919 3 mths:1.5906 6 mths:1.5893 9 mths:1.5878

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	low	Open int	Vol
Jan	142.10	+1.50	142.10	140.60	1,051	340
Feb	140.75	+1.40	141.00	140.15	1,310	94
Mar	139.95	+1.60	140.10	137.00	32,403	3,747
Apr	138.25	+1.40	137.10	137.00	945	7
May	136.05	+1.20	136.10	134.30	5,954	921
Jun	134.25	+1.20	-	-	581	30
Total					54,999	5,783

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv.
Close	380.75-381.25	
Opening	380.80-381.00	
Morning fix	380.50	238.998
Afternoon fix	381.35	240.009
Day's High	381.60-381.90	
Day's Low	380.20-380.50	
Previous close	381.20-381.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)

[illegible]

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	381.8	+0.9	-	-	30	30
Feb	381.7	+0.8	382.0	380.7	44,652	28,706
Mar	382.7	+0.4	-	-	5	-
Apr	384.4	+0.4	384.9	383.5	35,571	12,168
Jun	388.1	+0.4	388.5	387.2	27,844	2,540
Aug	392.2	+0.4	392.5	391.7	15,848	163
Total					177,409	44,361

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	419.1	+1.8	-	-	30	5
Apr	420.6	+1.1	421.5	418.5	17,307	1,729
Jul	424.4	+1.1	425.0	423.5	4,221	357
Oct	428.6	+1.1	-	-	1,125	50
Jan	432.3	+1.1	-	-	150	-
Total					22,893	2,141

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Mar	161.05	+0.85	161.80	160.50	5,951	765
Jun	162.45	+0.75	162.50	162.25	1,430	551
Sep	163.45	+0.75	-	-	275	-
Dec	164.20	+0.75	164.25	164.25	53	38
Total					7,709	1,374

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	low	Open int	Vol.
Jan	477.8	8.7	-	-	1	1
Feb	477.8	-	-	-	2	-
Mar	479.5	0.5	482.0	477.5	64,232	16,436
May	485.1	0.5	487.5	483.0	13,846	1,105
Jul	491.1	0.5	493.5	488.5	7,858	689
Sep	497.1	0.4	498.0	497.0	10,074	214
Total					131,964	18,596

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	18.34	-0.05	18.47	18.24	103,442	73,482
Apr	18.17	-0.01	18.28	18.08	48,642	32,682
May	18.02	-0.02	18.13	17.99	24,052	12,594
Jun	17.90	-	18.00	17.88	34,224	12,267
Jul	17.85	+0.01	17.91	17.80	16,084	7,013
Aug	17.87	-	-	-	13,446	3,267
Total					373,303	151,946

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	16.71	-0.08	16.80	16.63	82,755	36,681
Apr	16.63	-	16.73	16.55	31,009	15,017
May	16.57	-0.01	16.67	16.54	12,985	4,406
Jun	16.51	-	16.55	16.49	11,091	4,368
Jul	16.48	+0.02	16.55	16.46	6,789	1,784
Aug	16.45	+0.02	16.45	16.45	4,345	35
Total					40,438	63,627

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Feb	47.85	+0.18	48.05	47.20	21,174	10,921
Mar	47.75	-	48.15	47.50	38,636	18,158
Apr	47.05	-0.07	48.35	47.80	17,898	4,290
May	48.00	-0.07	48.30	47.80	9,973	1,471
Jun	48.15	+0.03	48.35	48.05	7,765	728
Jul	48.45	+0.13	48.50	48.30	8,002	1706
Total					125,699	35,071

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	144.50	-0.25	145.50	144.00	40,837	5,813
Mar	146.75	-0.25	147.50	146.25	23,463	3,456
Apr	147.75	+0.25	148.25	147.00	15,773	1,278
May	148.00	-	148.25	148.00	3,969	300
Jun	148.50	-	148.75	148.00	8,709	691
Jul	150.25	-	149.75	149.75	2,418	60
Total					103,349	11,672

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Mar	1.375	+0.014	1.390	1.340	30,285	18,208
Apr	1.410	+0.010	1.420	1.370	14,229	4,100
May	1.468	+0.010	1.475	1.445	11,453	1,541
Jun	1.515	+0.015	1.520	1.495	10,336	723
Jul	1.555	+0.010	1.560	1.540	10,794	1,298
Aug	1.571	+0.009	1.580	1.565	9,277	777
Total					149,773	33,051

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

[illegible]

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	109.85	-0.10	109.70	109.45	1,324	47
May	111.50	-0.20	111.50	111.30	2,016	67
Jul	112.95	-0.20	112.75	112.75	359	5

[illegible]

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

[illegible]

■ BARLEY LCE (£ per tonne)

[illegible]

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

[illegible]

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

[illegible]

■ SOYABEAN MEAL CBT (100 tons; $/ton)

[illegible]

■ POTATOES LCE (£/tonne)

[illegible]

■ FREIGHT (BIFFEX) LCE ($10/index point)

[illegible]

Wool

[illegible]

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	1000	+7	1003	985	35,204	1,333
May	1004	+6	1007	998	18,893	1,186
Jul	1019	+8	1018	1009	9,932	621

[illegible]

■ COCOA CSCE (10 tonnes; $/tonnes)

[illegible]

■ COCOA (ICCO) (SDR's/tonne)

[illegible]

■ COFFEE LCE ($/tonne)

[illegible]

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

[illegible]

■ COFFEE (ICO) (US cents/pound)

[illegible]

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

[illegible]

■ WHITE SUGAR LCE ($/tonne)

[illegible]

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

[illegible]

■ COTTON NYCE (50,000lbs; cents/lbs)

[illegible]

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

[illegible]

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

[illegible]

■ CRB Futures (Base: 1967=100)

[illegible]

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	74.600	+0.250	74.675	74.250	20,803	3,616
Apr	74.850	+0.300	74.900	74.475	40,164	4,480
Jun	68.450	+0.200	68.500	68.175	14,507	1,437
Aug	65.175	+0.100	65.250	65.000	5,455	278
Oct	66.150	-0.025	66.200	66.000	777	85
Dec	66.700	-0.050	66.775	66.650	440	44
Total					84,873	10,029

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	41.000	+0.675	41.125	40.500	8,487	2,062
Apr	41.025	+0.500	41.150	40.600	15,519	2,209
Jun	46.300	+0.350	46.550	46.050	7,408	1,148
Aug	45.275	+0.400	45.300	44.900	1,850	180
Oct	42.450	+0.400	42.450	42.050	1,974	180
Dec	42.975	+0.225	43.000	42.750	1,794	144
Total					37,806	5,949

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	44.000	+0.350	44.250	43.550	3,522	1,717
Mar	44.375	+0.400	44.725	44.000	3,253	999
May	45.200	+0.450	45.650	45.050	1,750	232
Jul	46.500	+0.300	46.750	45.800	1,244	117
Aug	44.200	+0.300	44.500	44.100	224	36
Feb	52.100	-	-	-	48	19
Total					10,050	3,161

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Apr	Jul	Apr	Jul
2100	151	191	63	131
2200	84	145	135	182
2300	108	-	242	-
■ COPPER (Grade A) LME	**Apr**	**Jul**	**Apr**	**Jul**
2900	177	134	60	139
3000	120	94	102	195
3100	77	-	158	-
■ COFFEE LCE	**Mar**	**May**	**Mar**	**May**
2700	188	246	35	151
2750	153	220	50	175
2900	122	198	69	201
■ COCOA LCE	**Mar**	**May**	**Mar**	**May**
950	56	80	6	28
975	38	65	13	36
1000	23	52	23	48
■ BRENT CRUDE IPE	**Apr**	**Jul**	**Apr**	**Jul**
1600	89	105	27	55
1650	62	82	46	82
1700	38	61	76	111

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Mar)

		+or-
Dubai	$16.10-6.20t	-0.045
Brent Blend (dated)	$16.70-6.72	-0.18
Brent Blend (Mar)	$16.65-6.67	-0.05
W.T.I. (1pm est)	$18.27-8.29t	-0.005

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$164-166	
Gas Oil	$146-147	-1
Heavy Fuel Oil	$100-102	-1
Naphtha	$163-164	
Jet fuel	$161-163	
Diesel	$160-162	-1.5

Petroleum Argus. Tel. London (071) 359 8792

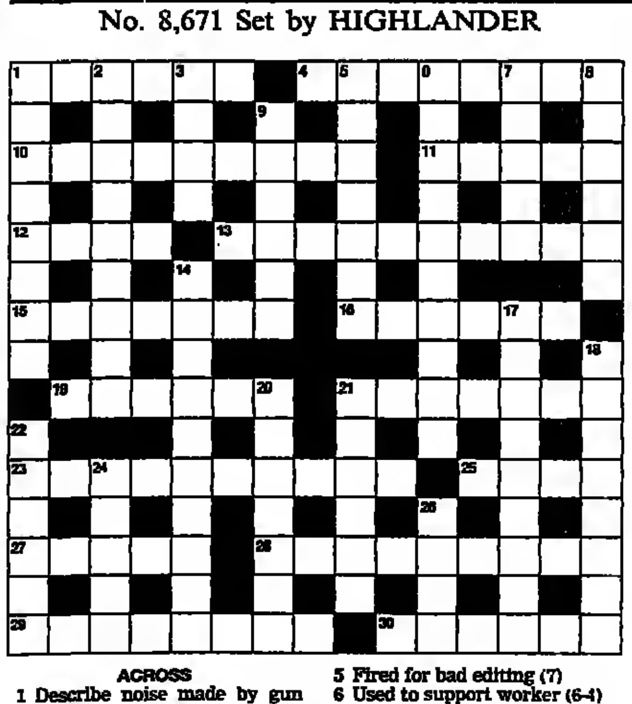
■ OTHER

[illegible]

JOTTER PAD

CROSSWORD

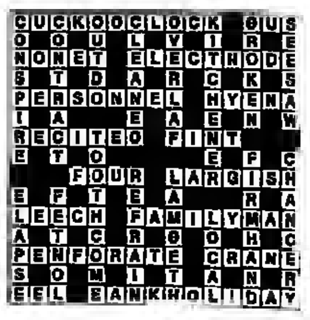
No. 8,671 Set by HIGHLANDER



ACROSS
1 Describe noise made by gun engineers left behind (6)
4 Reported successor's visit to runway (8)
10 Perhaps a swift thinker? No (4-5)
11 Reportedly cattle firm takes three quarters for yechting centre (5)
12 Book by Thomas English (4)
13 Temperance can, during time one is away (10)
15 Take out more – 100 tonnes (7)
16 Had returned to trouble round the plant (6)
19 Packer's depression? (6)
21 Challenge vote against international match (7)
23 Support Turkish leader going round and provide publicity (10)
25 Simple vessel with rudder initially towards the stern (4)
27 Something useful like scenery (5)
28 Bowl too long with balls on playing area (9)
29 Mirth and a term to cover it (8)
30 Supported competition between Belgium and Germany (6)

DOWN
1 Proved wrong by cigarette end in grass (8)
2 Constant factor which is standard on a measuring device (9)
3 Note covering previous pupil's academic gown (4)
5 Fired for bad editing (7)
6 Used to support worker (6-4)
7 Controversy over sodium turning up as ash on mountain (5)
8 Father's allowed to turn pale (6)
9 After Garry's opening there's scope for sacrificial move (6)
14 Former teacher is an expert (4,6)
17 Not stretchable, but it is clean for a change (9)
18 Irritated after good man sewn up (8)
20 Computer information is not in office – mostly prepared previously (4-3)
21 Copper and head of detectives come together – with truncheon (6)
22 Spectacular display – odds on hit (6)
24 Bird of river and lake (5)
26 Knocks over in dispute (4)

Solution 8,670



INTERNATIONAL CAPITAL MARKETS

Germany leads sharp rise in European prices

By Graham Bowley in London and Lisa Bransten in New York

European government bond markets rose across the board yesterday led by a sharp rise in German bond prices.

A lower than expected figure for M3 money supply and low inflation data pushed back the prospect of an early rise in German interest rates, lifting investor sentiment on a day which saw the first significant trading volumes in 1995.

The March bund futures contract on Liffe moved through important technical resistance levels at around 90.00, triggering buying by US and German investors and providing a further impetus for prices.

The yield on 10-year bonds fell to 7.45 per cent from 7.54 per cent at Wednesday's close.

In late trading, the March bund contract was up 0.65, testing further technical resistance levels at around 90.25.

More than 160,000 bund contracts were traded on Liffe, two to three times recent volumes.

■ UK government bonds followed Germany higher, adding to gains made after Wednesday's successful auction of long-dated stock.

The yield on 10-year gilts declined by around 7 basis points to 8.66 per cent.

However, Germany's strong performance pushed the gilt yield spread against German bunds out to around 137 basis points, at the wider end of its recent 125 to 140 range.

Dealers reported some selling of ultra-long gilts. They said trade data showing a widening of the UK's deficit with non-EU countries caused some disappointment, but the impact was short-lived. In late trade, the long gilt future on Liffe was up $\frac{9}{32}$ at $101\frac{13}{32}$.

GOVERNMENT BONDS

■ French government bonds rose in the wake of Germany's advances, although the yield spread over German bunds widened to 66 from 62 basis points.

The yield on French 10-year bonds fell by around 6 basis points to 8.10 per cent.

Analysts said the prospect of fresh bond supply at an forthcoming auction was weighing on market sentiment.

■ Italian government bond prices rose but lagged the rest of Europe as investors and traders digested the implications of Wednesday's confidence vote in prime minister Lamberto Dini's new government. "Markets are uncertain about how much progress Dini can make on tackling the public finances with limited support from parliament," said Mr Thomas O'Shea, an economist at Yamaichi in London.

■ Spanish government bonds advanced in line with the rest of Europe, with the 10-year March contract on the Spanish futures exchange up ½ point.

■ Shorter-term US Treasuries outperformed the long bond yesterday morning after the overall increase on durable goods orders far exceeded most economists' expectations.

At midday, the benchmark 30-year Treasury was up $\frac{1}{32}$ to $95\frac{3}{4}$, yielding 7.865 per cent. At the short end of the market, the two-year note rose ⅛ to $100\frac{5}{8}$, yielding 7.415 per cent.

According to the Commerce Department, orders of durable goods jumped by 1.4 per cent in December, compared with the median estimate of an increase closer to 0.3 per cent.

The reaction, however, was moderated by much of the increase being due to the volatile defence component. Excluding defence, orders of durable goods fell 0.8 per cent.

Market sentiment that the Federal Reserve would tighten monetary policy at next week's meeting of its Open Market Committee also held back a strong negative reaction to the durable goods figures. The consensus on Wall Street was that the Fed would boost interest rates by 50 basis points.

Still, the market showed signs of worry about inflation. The curve mapping the yield spread between two- and 30-year bonds steepened as the spread increased to 45 basis points from 38 points late on Wednesday. A steepening curve is generally interpreted as a sign that the market is expecting economic growth.

Yesterday, investors were awaiting their first look at a real gross domestic product figure for the fourth quarter of 1994. The Commerce Department is expected to release an advance report today. Economists expect GDP growth to be a strong 4.4 per cent.

Portugal to launch futures market

By Peter Wise in Lisbon

Portugal is to launch a futures market by mid-1995 with a contract on an equity index of 20 leading shares to be known as the Portuguese Stock Index – the PSI-20. A derivative-based long-term interest rate contract is also planned.

The market will be based at the Oporto Stock Exchange, which closed last June as part of plan to base Portugal's spot trading in Lisbon and develop Oporto as a national derivatives market.

The two exchanges previously operated as separate floors for the national spot market. Rivalry between two bourses for Portugal's small market was considered unproductive and Oporto agreed to accept Es2.4bn from Lisbon to abandon spot trading.

Mr Manuel Alves Monteiro, head of the Oporto Stock Exchange, said the PSI-20 would comprise the 20 most representative shares on the Portuguese market, representing about 70 per cent of market capitalisation and 75 per cent of trading volume.

The index is to be launched with a base value of 3,000, based on closing prices on December 31 1992. The PSI-20 would have stood at 4,347.66 on November 30 1994. It will be calculated in real time, reflecting every price change in the underlying issues on Portugal's computer-based continuous share market.

Portugal's top four listed banks will dominate the PSI-20, with weightings ranging from 9 per cent to 15 per cent each. Other prominent shares in the index will be the conglomerate Sonae Investimentos, the cork group Corticeira Amorim and Marconi, a telecommunications operator.

Mr Alves Monteiro said plans for a futures contract based on long-term, fixed-rate treasury bonds had been scaled down because of the low level of government issuance in 1994, but a contract based on long-term interest rates was planned.

Multi-strategy fund by Man-Glenwood venture

By Conner Middelmann

The recent joint venture between the funds division of ED&F Man, the UK commodity and finance services company, and Glenwood Investment Group of Chicago has borne its first fruit: the Man-Glenwood multi-strategy fund.

The assets raised for this open-ended multi-manager fund are invested with performance-oriented investment managers who implement technical, systematic and discretionary strategies across a diversified range of assets including stocks, bonds and derivatives.

According to Mr John Kelly, head of sales and marketing for ED&F Man Investment Products, "the fund's investment objective is to produce stock market returns with bond market volatility over a complete market cycle".

He says the product represents a significant shift for ED&F Man, whose focus has traditionally been on pure futures funds managed by single advisers. "This broadens our product range and takes us into a more conservative area." ED&F Man currently manages about $1bn, mostly in offshore futures funds.

Man-Glenwood will allocate investment capital among different strategies and managers – investing in areas such as distressed securities, merger arbitrage, short selling, futures, forwards and physical commodities – and will monitor their performance.

Selecting trading managers is often compared with stock-picking: if the strategies represent market sectors, the managers trading them are stocks and are evaluated by their performance record as well as their "earnings potential".

Crédit Foncier braves the dollar sector

By Martin Brice

One dollar issue braved the eurobond market yesterday, as the US Federal Reserve's Open Market Committee meeting, beginning next Tuesday, continued to influence investors, many of whom expect a 50 basis points rise in US interest rates.

INTERNATIONAL BONDS

However, there may be a rash of issues following the meeting. Lehman Brothers Eurobond Monitor estimates that more than $20bn of US dollar-denominated bonds are due to be redeemed in the first quarter.

A 10-year issue for the IFC is rumoured to be "imminent", but some syndicates feel it may hold off until after the FOMC.

Yesterday's issue came from Crédit Foncier de France, which used Paribas to bring its $250m, three-year issue carrying an 8 per cent coupon. Paribas said: "We had a much stronger reception than we expected. We sold primarily into retail with some institutional demand and a European central bank. We took 80 per cent of the deal and have seen good sales." Investors came from France, the UK, Switzerland and the Benelux region.

The bonds, which came at 30 basis points over the relevant Treasury, were issued after a $100m deal for Crédit Local brought by SBC at 17 basis points over last week was seen to have received a good response. This deal allowed investors to switch out of the Crédit Local deal.

Paribas said: "We felt there was room for an AA name with some rarity value and some spread." The 8 per cent coupon was the result of a firm close to the Treasury market in New York the day before, said Paribas.

Crédit Local de France used BZW to handle its Ecu150m deal, which was aimed at retail investors in the Benelux area and Switzerland.

Around Ecu400m of Crédit Local paper is due to mature in February, said BZW, and many investors holding those bonds would be looking to buy new similar paper.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Crédit Foncier de France	250	8.00	99.8225R	Feb.1998	0.1875R	+30(7¼%-97)	Paribas Capital Markets
GUILDERS							
Nederlandse Waterschapsbank	250	7.625	93.90R	Mar.2001	0.275R	+17(8¼%-01)	Rabobank Nederland
LUXEMBOURG FRANCS							
European Investment Bank	2.5bn	8.00	102.65	Mar.2002	1.75	-	BGL
Bacob Overseas(a)	2bn	5.00	102.40	Jun.1999	1.625	-	Bacob Bank Luxembourg
ECUS							
Crédit Local de France(b)	150	8.125	99.81R	Dec.1996	0.20R	+16(7¼%-98)	Barclays de Zoete Wedd

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. R: fixed re-offer price; fees shown at re-offer level. a) Long 1st coupon. b) Spread relates to French govt Ecu BTANs. Short 1st coupon.

Lisbon plans partial sale of eucalyptus pulp group

By Peter Wise

Portugal is to privatise two production divisions of the Portucel group, the world's leading producer of bleached eucalyptus pulp, by mid-1995. But the state will retain a majority holding in the parent company.

The government said it will sell 100 per cent of Gescartão, a producer of brown pulp and cardboard, and a holding of 30 to 40 per cent in Portucel Industrial, the group's bleached pulp production unit.

Inapa, a Portuguese paper manufacturer, is expected to be a leading contender for a stake in Portucel Industrial. Inapa purchases 35 per cent of the pulp plant's production through a short pipeline link.

However, the government said Inapa would have to compete on equal terms with other bidders and no limits would be imposed on foreign holdings. Portucel's bleached eucalyptus pulp production accounts for about 30 per cent of total European production and 15 per cent of the world market.

The government will also consider proposals to buy its 53.3 per cent holding in Soporcel, Portugal's second largest pulp and paper company.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	91.5900	-	10.40	10.35	10.11
Austria		7.500	01/05	98.9000	+0.360	7.66	7.72	7.70
Belgium		7.750	10/04	96.0600	+0.620	8.35	8.46	8.35
Canada *		9.000	12/04	97.6000	-0.900	9.38	9.46	9.11
Denmark		7.000	12/04	87.2000	+0.300	9.01	9.01	8.80
France	BTAN	8.000	05/98	101.0900	+0.050	7.59	7.60	7.27
	OAT	7.500	04/05	95.8900	+0.440	8.10	8.16	8.12
Germany Bund		7.375	01/05	99.4500	+0.610	7.45	7.52	7.52
Ireland		6.250	10/04	82.8500	+0.500	8.78†	8.78	8.80
Italy		8.500	08/04	80.7100	+0.300	11.95	11.92	11.92
Japan	No 119	4.800	06/99	103.9010	+0.079	3.78	3.87	3.82
	No 164	4.100	12/03	96.3300	+0.152	4.69	4.69	4.60
Netherlands		7.250	10/04	97.4500	+0.600	7.82	7.68	7.66
Portugal		8.875	01/04	83.3000	+0.790	11.64	11.64	11.60
Spain		10.000	02/05	89.1800	+0.470	11.75	11.80	11.35
Sweden		6.000	02/05	70.1900	+0.421	11.07	10.99	10.92
UK Gilts		8.000	08/99	90-10	+6/32	8.63	8.60	8.46
		6.750	11/04	87-16	+14/32	8.67	8.66	8.49
		9.000	10/08	102-26	+16/32	8.64	8.63	8.48
US Treasury *		7.875	11/04	100-21	+16/32	7.77	7.71	7.79
		7.500	11/24	95-24	+21/32	7.87	7.78	8.14
ECU (French Govt)		8.000	04/04	84.0700	+0.470	8.56	8.60	8.60

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime | Treasury Bills and Bond Yields

		One month	5.13	Two year	7.45
Prime rate	8½	Two month	5.60	Three year	7.56
Broker loan rate	6½	Three month	5.98	Five year	7.73
Fed.funds	5½	Six month	6.47	10-year	7.78
Fed.funds at intervention	-	One year	6.93	30-year	7.86

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	110.96	111.24	+0.50	111.30	110.92	132,501	139,363
Jun	110.12	110.38	+0.48	110.32	110.12	529	4,480
Sep	109.44	109.70	+0.48	109.44	109.44	2	1,552

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Feb	Calls Mar	Calls Jun	Puts Feb	Puts Mar	Puts Jun
109	-	-	-	0.18	1.05	1.75
110	1.24	1.58	1.73	0.35	1.45	-
111	0.24	0.91	1.20	0.69	-	-
112	-	0.44	0.81	1.20	-	-
113	-	0.16	0.51	1.95	-	-

Est. vol. total, Calls 32,394 Puts 25,235. Previous day's open int., Calls 192,050 Puts 173,033.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	89.83	90.24	+0.63	90.28	89.71	166576	200519
Jun	89.24	89.65	+0.63	89.61	89.18	734	5837

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Mar	Calls Apr	Calls May	Calls Jun	Puts Mar	Puts Apr	Puts May	Puts Jun
9000	0.69	0.63	0.80	0.95	0.48	0.95	1.15	1.30
9050	0.44	0.44	0.60	0.75	0.73	1.29	1.45	1.60
9100	0.26	0.30	0.44	0.58	1.02	1.65	1.79	1.93

Est. vol. total, Calls 16622 Puts 6803. Previous day's open int., Calls 178434 Puts 112143

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	99.45	99.68	+0.27	99.80	99.29	25309	54709
Jun	98.85	98.82	+0.27	98.85	98.85	73	329

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
9950	1.06	1.78	0.68	2.45
10000	0.79	1.54	1.11	2.71
10050	0.59	1.23	1.41	3.03

Est. vol. total, Calls 2066 Puts 3137. Previous day's open int., Calls 23510 Puts 25174

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	83.80	84.16	+0.53	84.35	83.80	61,827	48,925
Jun	-	83.35	-	-	-	324	527

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	100-30	101-09	+0-18	101-15	100-24	55865	90860
Jun	101-02	101-13	+0-16	101-02	100-30	300	568

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Mar	Calls Jun	Puts Mar	Puts Jun
101	1-01	2-05	0-47	1-43
102	0-35	1-37	1-17	2-11
103	0-16	1-10	1-62	2-48

Est. vol. total, Calls 10088 Puts 4295. Previous day's open int., Calls 42338 Puts 46385

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	80.80	81.18	+0.54	81.20	80.80	2,473	7,130
Jun	-	60.92	+0.54	-	-	-	-

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	99-21	99-19	-0-03	99-24	98-13	361,253	358,971
Jun	99-06	99-04	-0-02	99-09	98-31	5,495	23,523
Sep	98-25	98-27	-0-04	98-27	98-25	3,145	2,635

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Mar	108.38			108.45	108.37	1554	0
Jun	107.68			107.68	107.68	25	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Thu Jan 26	Day's change %	Wed Jan 25	Accrued interest	xd adj ytd
1 Up to 5 years (23)	118.39	+0.13	118.24	1.37	1.40
2 5-15 years (22)	138.94	+0.44	138.33	1.87	1.17
3 Over 15 years (9)	153.95	+0.64	152.98	0.65	2.85
4 Irredeemables (6)	176.65	+0.60	175.60	2.26	0.00
5 All stocks (60)	135.70	+0.38	135.18	1.52	1.51

	Low coupon yield Jan 26	Jan 25	Yr. ago	Medium coupon yield Jan 26	Jan 25	Yr. ago	High coupon yield Jan 26	Jan 25	Yr. ago
5 yrs	8.66	8.76	5.71	8.66	8.74	5.94	8.86	8.94	6.03
15 yrs	8.54	8.62	6.47	8.69	8.75	6.64	8.89	8.94	6.73
20 yrs	8.61	8.66	6.55	8.66	8.75	6.56	8.81	8.86	6.75
Irred.†	8.58	8.63	6.62						

Index-linked	Thu Jan 26	Day's change %	Wed Jan 25	Accrued interest	xd adj ytd
6 Up to 5 years (2)	188.81	+0.12	188.58	1.62	0.00
7 Over 5 years (11)	172.75	+0.14	172.52	0.53	0.58
8 All stocks (13)	173.50	+0.14	173.27	0.63	0.53

	Inflation 5% Jan 26	Jan 25	Yr. ago	Inflation 10% Jan 26	Jan 25	Yr. ago
Up to 5 yrs	3.99	4.04	2.27	2.67	2.71	1.39
Over 5 yrs	3.94	3.96	2.94	3.74	3.75	2.76

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Jan 26	Jan 25	Jan 24	Jan 23	Jan 20	Yr ago	High*	Low*
Govt. Secs. (UK)	90.61	90.50	90.55	90.57	90.83	106.28	107.04	89.54
Fixed Interest	109.11	109.04	109.01	109.20	109.29	132.63	233.87	106.60

* for 1994/5. Government Securities high since compilation: 127.40 (9/1/35), low 49.10 (3/1/75). Fixed interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Jan 25	Jan 24	Jan 23	Jan 20	Jan 19
Gilt Edged bargains	137.7	83.9	88.6	79.9	80.2
5-day average	92.8	83.9	84.5	85.3	85.4

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on January 26

	Issued	Bid	Offer	Chg.	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	88¼	88½	+⅛	8.52
Alberta Province 7⅞ 96	1000	98¼	98½	+¼	8.17
United Kingdom 7¼ 97	5500	100⅞	101	+⅛	6.75
Volkswagen Intl Fin 7 03	1000	94⅝	95⅛	+⅝	7.89
World Bank 0 15	2000	22⅜	22⅝	+⅛	7.43
Abbey Natl Treasury 8 08 £	1000	91⅞	92¼	+⅛	9.46
Alliance Leics 11¾ 97 £	100	105	105¼	+⅛	8.81
British Land 8⅞ 23 £	150				

[illegible]

UK GILTS PRICES

	Notes	Yield Int	Yield Red	Price £	+ or –	1994/95 High	1994/95 Low
Shorts" (Lives up to Five Years)							
Exch 3pc Gas 1990-95		3.02	5.98	99⅜	—	103¼	97¾
10¼pc 1995		10.07	6.76	101¾	—	107⅜	101¾
Treas 12¾pc 1995‡‡		12.19	6.88	104⅝	—	113⅝	104⅜
14pc 1996		13.15	7.12	106⅝	-⅛	117⅝	106⅝
Conversion 9½pc 2004		9.07	8.75	104⅝	+⅝	125⅝	101⅝
Treas 6¾pc 2004‡‡		7.72	8.66	87⅝	+⅝	105⅛	84⅝
8½pc 2005		8.59	8.63	98⅝	+⅝	100⅝	97
Conv 9½pc 2005		9.04	8.72	105⅛	+⅝	125½	102⅛
Treas 12½pc 2003-5		10.35	9.00	120⅝	+⅝	143⅛	118⅛

Index-Linked	Notes	(1)	(2)	Price £	+ or –	1994/95 High	1994/95 Low
2pc '96	(67.9)	2.39	4.01	202⅞	+⅛	203⅝	197⅝
4⅝pc '98‡‡	(135.6)	2.99	3.89	105⅝	+⅛	113⅝	106⅛
2½pc '01	(78.3)	3.50	3.94	165⅞	+⅛	176⅞	163½
2½pc '03	(78.8)	3.59	3.94	162⅛	+⅛	173⅝	159⅛
4⅝pc '04‡‡	(135.6)	3.60	3.94	108⅝	+⅛	116⅞	107⅛

[illegible]

Other Fixed Interest

[illegible]

CURRENCIES AND MONEY

MARKETS REPORT

Market optimistic about outlook for US rates

The feature of markets yesterday was a general flattening of yield curves as investors took a more optimistic view about the outlook for US interest rates, *writes Philip Gawith.*

Recent comments from Mr Alan Greenspan, the Fed chairman, have led the market to conclude that the US may be on the point of reaching a plateau in short term interest rates. This view was reflected in the good performance of interest rate futures in the US, Europe and UK.

Currency markets were fairly quiet, with the various statistical releases – including trade figures in the UK, December M3 in Germany, producer inflation in Italy and Sweden and durable goods in the US – largely ignored.

The dollar finished slightly weaker in London at DM1.5147, from DM1.5163. Against the yen it closed at Y99.375 from Y99.69.

In Europe, the D-Mark had a mixed performance. Two of the weaker currencies recently, the Swedish krona and the Spanish peseta, both made up some ground, but the Italian lira finished lower.

Sterling was unaffected by the surprisingly poor December trada figures. It closed at DM2.4111 from DM2.4146, and at $1.5918 from $1.5904.

The Mexican peso had a better day, finishing at 5.68 pesos to the dollar, from 5.745. Moving in the other direction was the Russian rouble, which fell below 4,000 against the dollar for the first time.

■ The good performance of interest rate markets can be attributed to Mr Greenspan's relatively bullish medium-term prognosis about US inflation.

■ Pound in New York

Jan 26	—Latest—	– Prev. close –
£ spot	1.5920	1.5915
1 mth	1.5918	1.5911
3 mth	1.5905	1.5900
1 yr	1.5813	1.5850

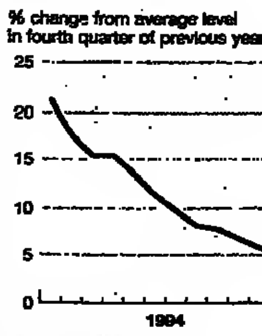
Most observers are still expecting the Fed to announce a further rise in rates after its meeting next week. But, as Mr Nick Parsons, treasury economist at CIBC in London, noted: "The perception is that the Fed may have a somewhat longer pause after the rate rise than previously expected."

This more optimistic assessment was reflected in the Juna eurodollar contract, which finished 16 basis points higher at 92.71. The March contract is discounting interest rates at 6.7 per cent, indicating that the market is expecting interest rates to rise by about 50 basis points by then. Three month money is currently trading around 6.2 per cent.

Mr David Cocker, economist at Chemical Bank in London, said the dollar needed a 50 basis point rise in US rates next week if it was to remain stable. "The market will otherwise conclude thet there has been a Mexican influence on Fed policy making," he said.

German M3

% change from average level in fourth quarter of previous year



Source: Datastream

The outlook for the dollar stills seems closely linked to a solution in Mexico. Mr Jesse Helms, chairman of the Senate foreign relations committee, provided an indication of the tough struggle that lies ahead before any support package is passed.

He said he would prefer Mexico to solve its own problems, adding that momentum in the Senate for loan guarantees was slowing.

President Clinton said last night that he was confident a support plan would be approved. But he warned of "grave consequences" if it failed.

■ Analysts said that the weakness of the rouble was an inevitable consequence of a country which had monthly inflation of around 16 per cent.

Mr Jonathan Hoffman, international economist at CSFB in London, said the currency was experiencing a "managed decline", rather than a rout. He said it was "massively undervalued", with its purchasing power parity value, by his estimate, around Rbs2,500.

Mr Hoffman said two developments this week – the appointment of a new privatisation chief, and the passage of the budget in the Duma – were both likely to have a positive impact on the economy and the rouble.

■ Analysts said that the German M3 figure for December, which came in at a low 4.8 per cent, might allow the Bundesbank room to ease the repo rate slightly if it wished.

This would take some pressure off weaker European currencies like the lira and the peseta. Mr Cocker said the outlook for the lira would probably turn on whether or not the prime minister, Mr Lamberto Dini, was able to make progress with pensions reform.

■ The Bank of England provided UK money markets with £1.1bn assistance at established rates, after declaring a £1.2bn shortage. Three month LIBOR eased marginally to 6 11/16 per cent, from 6¾ per cent.

■ OTHER CURRENCIES

Jan 26	£	$
Hungary	178.534 - 178.761	112.180 - 112.280
Iran	2731.00 - 2734.00	1748.00 - 1750.00
Kuwait	0.4754 - 0.4757	0.2987 - 0.2988
Poland	3.8443 - 3.8497	2.4155 - 2.4180
Russia	6365.61 - 6370.38	3999.00 - 4002.00
U.A.E.	5.8448 - 5.8478	3.6725 - 3.6730

POUND SPOT FORWARD AGAINST THE POUND

Jan 26		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.9821	+0.0337	749 - 893	17.0115	16.9462	16.9696	0.9	16.9359	1.1	-	-	116.1
Belgium	(BFr)	49.6976	-0.0008	659 - 292	49.8690	49.6659	49.6484	1.2	49.5426	1.2	49.0026	1.4	117.9
Denmark	(DKr)	9.5134	-0.012	092 - 176	9.5425	9.5030	9.521	0.5	9.4998	0.6	9.4569	0.6	117.5
Finland	(FM)	7.5997	+0.0124	323 - 470	7.5470	7.4770	-	-	-	-	-	-	89.1
France	(FFr)	8.3405	-0.0152	376 - 434	8.3676	8.3343	8.3498	0.8	8.3215	0.9	8.2495	1.1	110.8
Germany	(DM)	2.4111	-0.0035	102 - 119	2.4188	2.4066	2.4118	1.4	2.4015	1.6	2.3639	2.0	128.2
Greece	(Dr)	375.585	+0.103	435 - 736	376.724	374.444	-	-	-	-	-	-	-
Ireland	(I£)	1.0110	-0.0008	103 - 116	1.0131	1.0097	1.0115	0.4	1.0104	0.2	1.009	0.2	105.3
Italy	(L)	2543.70	+1.53	163 - 577	2545.77	2523.62	2546.87	-2.2	2558.25	-2.3	2603.95	-2.4	72.9
Luxembourg	(LFr)	49.6976	-0.0008	659 - 292	49.8680	49.6659	49.6484	1.2	49.5426	1.2	49.0026	1.4	117.9
Netherlands	(Fl)	2.7012	-0.0046	003 - 021	2.7111	2.7003	2.7029	1.3	2.6911	1.5	2.6513	1.8	122.0
Norway	(NKr)	10.5545	-0.0147	501 - 588	10.5827	10.5360	10.5682	0.1	10.5517	0.1	10.5409	0.1	67.1
Portugal	(Es)	249.278	-0.33	070 - 482	249.924	249.070	250.206	-2.9	251.526	-3.6	-	-	-
Spain	(Pta)	209.688	-0.588	601 - 775	211.004	209.601	210.646	-2.1	210.843	-2.2	214.883	-2.5	83.1
Sweden	(SKr)	11.8674	-0.0648	572 - 775	11.9735	11.8572	11.9467	-1.5	11.9089	-1.4	12.0194	-1.3	74.5
Switzerland	(SFr)	2.0293	+0.0018	285 - 301	2.0329	2.0214	2.0269	2.5	2.0163	2.6	1.9681	3.0	122.8
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.1
Ecu	-	1.2751	-0.0012	743 - 758	1.2777	1.2731	1.2767	0.6	1.2733	0.5	1.2682	0.7	-
SDR†	-	0.922811	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5922	+0.0015	917 - 926	1.6022	1.5905	-	-	-	-	-	-	-
Brazil	(Cr)	1.3418	-0.0115	400 - 437	1.3633	1.3547	-	-	-	-	-	-	-
Canada	(C$)	2.2480	-0.0026	472 - 488	2.2721	2.2472	2.2536	-1.8	2.2564	-1.5	2.2713	-1.0	83.6
Mexico	(New Peso)	9.0415	+0.0951	079 - 750	9.1536	9.1180	-	-	-	-	-	-	-
USA	($)	1.5918	+0.0014	915 - 921	1.6020	1.5900	1.59	0.3	1.5905	0.3	1.5858	0.4	62.4
Pacific/Middle East/Africa													
Australia	(A$)	2.0801	+0.0046	790 - 812	2.0812	2.0771	2.0778	-1.3	2.0877	-1.5	2.1201	-1.9	-
Hong Kong	(HK$)	12.3067	+0.0093	036 - 098	12.3835	12.3036	12.2984	0.1	12.3322	-0.8	12.2318	0.6	-
India	(Rs)	49.9388	+0.0218	254 - 521	50.2790	49.9254	-	-	-	-	-	-	-
Israel	(Shk)	4.7778	+0.0018	729 - 827	4.7979	4.7729	-	-	-	-	-	-	-
Japan	(Y)	158.185	-0.357	118 - 255	159.380	158.118	158.022	3.8	156.52	4.2	150.205	5.0	187.3
Malaysia	(M$)	4.0727	-0.0007	711 - 742	4.1011	4.0711	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.4812	+0.0148	797 - 826	2.4826	2.4680	2.4704	-1.6	2.494	-2.1	2.525	-1.8	-
Philippines	(Peso)	39.3175	+0.0358	305 - 045	39.4045	39.2305	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9703	+0.0056	688 - 718	6.0060	5.9688	-	-	-	-	-	-	-
Singapore	(S$)	2.3121	-	108 - 133	2.3242	2.3109	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6322	+0.0063	299 - 344	5.6689	5.6267	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.5105	-0.0577	933 - 276	6.6261	6.4933	-	-	-	-	-	-	-
South Korea	(Won)	1248.53	-3	821 - 884	1261.77	1248.21	-	-	-	-	-	-	-
Taiwan	(T$)	41.8039	+0.0274	944 - 133	42.0605	41.7944	-	-	-	-	-	-	-
Thailand	(Bt)	39.9224	+0.0443	989 - 458	40.1460	39.8989	-	-	-	-	-	-	-

†SDR rates for Jan 25. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Jan 26		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.6685	+0.0115	660 - 710	10.6710	10.5850	10.6495	0.8	10.6412	1.0	10.5085	1.5	105.4
Belgium	(BFr)	31.2210	-0.029	070 - 350	31.2750	31.0580	31.2275	0.9	31.151	0.8	30.901	1.0	108.8
Denmark	(DKr)	5.9765	-0.013	750 - 780	5.9839	5.9410	-	-	5.973	0.2	5.9635	0.2	105.8
Finland	(FM)	4.7366	+0.0035	328 - 403	4.7403	4.6765	4.7298	0.8	4.7291	0.8	4.7181	0.4	82.8
France	(FFr)	5.2397	-0.0143	388 - 405	5.2495	5.2100	5.2518	0.5	5.2322	0.6	5.2022	0.7	106.8
Germany	(DM)	1.5147	-0.0036	144 - 149	1.5182	1.5044	1.5189	1.1	1.5099	1.3	1.4907	1.6	108.7
Greece	(Dr)	235.950	+0.15	900 - 000	238.100	234.450	238.45	-15.3	243.7	-13.1	256.1	-8.5	68.5
Ireland	(I£)	1.5745	+0.0026	738 - 752	1.5851	1.5724	1.5791	-0.1	1.5743	0.1	1.5735	0.1	-
Italy	(L)	1598.00	-0.5	700 - 900	1599.00	1580.00	1601.85	-2.5	1608.5	-2.8	1642	-2.8	73.4
Luxembourg	(LFr)	31.2210	-0.029	070 - 350	31.2750	31.0580	31.2275	0.9	31.151	0.9	30.901	1.0	106.8
Netherlands	(Fl)	1.6970	-0.0044	967 - 972	1.7026	1.6861	1.7001	1.0	1.6921	1.2	1.672	1.5	106.7
Norway	(NKr)	6.6306	-0.0153	290 - 320	6.6400	6.5920	6.6411	0.8	6.618	0.8	6.5995	0.8	67.4
Portugal	(Es)	156.600	-0.35	500 - 700	156.700	155.750	157.395	-3.4	158.125	-3.9	162.475	-3.6	95.4
Spain	(Pta)	131.730	-0.49	700 - 760	132.080	131.250	132.485	-2.4	132.585	-2.5	135.51	-2.9	78.1
Sweden	(SKr)	7.4553	-0.0478	503 - 603	7.4960	7.4223	7.5137	-1.7	7.4878	-1.7	7.5793	-1.7	79.5
Switzerland	(SFr)	1.2749	-0.0023	746 - 751	1.2765	1.2630	1.2689	2.2	1.2678	2.2	1.2384	2.9	108.1
UK	(£)	1.5918	+0.0014	915 - 921	1.6020	1.5900	1.59	0.3	1.5905	0.3	1.5858	0.4	88.5
Ecu	-	1.2484	+0.0023	479 - 489	1.2562	1.2470	1.2463	+0.2	1.248	+0.2	1.2522	-0.3	-
SDR†	-	1.47544	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.0002	-	001 - 003	1.0003	1.0001	-	-	-	-	-	-	-
Brazil	(Cr)	0.8430	-0.008	420 - 440	0.8520	0.8420	-	-	-	-	-	-	-
Canada	(C$)	1.4123	-0.0029	120 - 125	1.4193	1.4118	1.4175	-1.9	1.4189	-1.8	1.4323	-1.4	80.3
Mexico	(New Peso)	5.6800	+0.065	600 - 000	5.7700	5.6600	5.7458	+0.2	5.6812	-0.1	5.6826	0.0	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.7
Pacific/Middle East/Africa													
Australia	(A$)	1.3067	+0.0017	063 - 072	1.3072	1.2960	1.3072	-2.0	1.3135	-2.1	1.339	-2.5	89.7
Hong Kong	(HK$)	7.7313	+0.0012	308 - 318	7.7360	7.7308	7.7344	-0.2	7.7335	-0.1	7.7383	-0.1	-
India	(Rs)	31.3725	-0.015	700 - 750	31.3850	31.3700	31.455	-3.1	31.6975	-4.1	-	-	-
Israel	(Shk)	3.0015	-0.0018	990 - 040	3.0040	2.9948	-	-	-	-	-	-	-
Japan	(Y)	99.3750	+0.315	500 - 000	99.7000	99.2200	99.39	3.6	98.415	3.9	94.72	4.7	148.1
Malaysia	(M$)	2.5585	+0.0028	580 - 590	2.5625	2.5513	2.5597	0.9	2.552	1.0	2.536	0.9	-
New Zealand	(NZ$)	1.5586	+0.0077	581 - 593	1.5593	1.5424	1.5615	-2.7	1.5681	-2.4	1.5931	-2.2	-
Philippines	(Peso)	24.7000	-	500 - 500	24.7500	24.6500	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7507	+0.0003	504 - 509	3.7509	3.75044	3.7531	-0.8	3.7566	-0.6	3.7682	-0.5	-
Singapore	(S$)	1.4525	-0.0013	520 - 530	1.4540	1.4510	1.4463	4.1	1.4422	2.8	1.4167	2.3	-
S Africa (Com.)	(R)	3.5383	+0.002	375 - 390	3.5395	3.5215	3.5483	-5.1	3.5843	-5.2	3.7403	-5.7	-
S Africa (Fin.)	(R)	4.0800	-0.04	800 - 000	4.1400	4.0800	4.1625	-8.0	4.1675	-7.6	4.4	-7.6	-
South Korea	(Won)	784.350	-2.8	300 - 400	788.500	794.300	792.15	-4.8	790.85	-3.3	809.35	-3.2	-
Taiwan	(T$)	26.2620	-0.0068	610 - 630	26.2750	26.2610	26.2948	+0.9	26.322	-0.9	-	-	-
Thailand	(Bt)	25.0800	+0.005	700 - 900	25.0900	25.0700	25.0925	-0.8	25.1085	-0.4	25.1325	-0.2	-

†SDR rate for Jan 25. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Jan 25. Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

January 26	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5⅜	5¼	5⅝	6⅜	7.40	4.50	-
week ago	4⅞	5⅜	5¼	5⅝	6⅜	7.40	4.50	-
France	5¼	5½	5¾	6¼	6¾	5.00	-	6.40
week ago	5¼	5½	5¾	6¼	6¾	5.00	-	6.40
Germany	4.80	4.95	5.05	5.30	5.75	6.00	4.50	4.85
week ago	4.80	4.85	5.10	5.30	5.75	6.00	4.50	4.85
Ireland	5¼	5⅝	6⅛	6⅝	7⅜	-	-	6.25
week ago	5¼	5⅝	6¼	6⅝	7½	-	-	6.25
Italy	8⅝	8⅝	8⅞	9½	10¼	-	7.50	8.20
week ago	8⅝	8⅝	9⅛	9⅝	10⅛	-	7.50	8.20
Netherlands	4.84	5.02	5.12	5.34	5.85	-	5.25	-
week ago	4.84	5.02	5.17	5.40	5.90	-	5.25	-
Switzerland	3¾	3⅞	4⅛	4⅜	4⅝	8.625	3.50	-
week ago	3½	3⅞	4⅛	4¼	4⅝	8.625	3.50	-
US	5⅝	6	6¼	6⅝	7¼	-	4.75	-
week ago	5¼	6	6¼	6⅝	7¼	-	4.75	-
Japan	2¼	2¼	2⅛	2⅜	2⅝	-	1.75	-
week ago	2¼	2¼	2⅛	2⅜	2⅝	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	6	6¼	6¾	7¼	-	-	-
week ago	-	6	6⅜	6⅝	7½	-	-	-
US Dollar CDs	-	5.86	6.15	6.53	7.20	-	-	-
week ago	-	5.88	6.17	6.59	7.28	-	-	-
SDR Linked Ds	-	4.56	4.94	5.25	5.69	-	-	-
week ago	-	4.56	4.94	5.25	5.69	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅝; 3 mths: 5¾; 6 mths: 6⅛; 1 year: 7. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Jan 26	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 13/16 - 4 11/16	5 - 4⅞	5 3/16 - 5 1/16	5 7/16 - 5 5/16	5 13/16 - 5 11/16	6 3/16 - 6 1/16
Danish Krone	5¼ - 5	5¾ - 5½	5⅞ - 5⅝	6¼ - 6	6¾ - 6½	7 7/16 - 7 3/16
D-Mark	4 13/16 - 4 11/16	4⅞ - 4¾	4 15/16 - 4 13/16	5 - 4⅞	5¼ - 5⅛	5¾ - 5⅝
Dutch Guilder	5 - 4 13/16	5 - 4 13/16	5⅛ - 5 1/16	5 3/16 - 5 1/16	5⅜ - 5¼	5 13/16 - 5 11/16
French Franc	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5½ - 5⅜	5 13/16 - 5 11/16	6 3/16 - 6 1/16	6⅝ - 6½
Portuguese Esc.	8⅝ - 8 1/16	9 - 8⅞	9⅝ - 9⅜	10 11/16 - 10 7/16	11⅛ - 10⅞	11⅜ - 11⅛
Spanish Peseta	8⅛ - 7⅞	8 3/16 - 7 15/16	8 5/16 - 8 1/16	8⅞ - 8⅝	9½ - 9¼	10 5/16 - 10 1/16
Sterling	5 - 4¾	5 5/16 - 5 1/16	6 1/16 - 6 1/32	6 13/16 - 6 11/16	7⅛ - 7	7 13/16 - 7 11/16
Swiss Franc	3 11/16 - 3 9/16	3 11/16 - 3 9/16	3¾ - 3⅝	3 15/16 - 3 13/16	4¼ - 4⅛	4⅝ - 4½
Can. Dollar	7 7/16 - 7⅛	7 7/16 - 7 3/16	7 13/16 - 7 11/16	8⅛ - 8	8 7/16 - 8 5/16	8¾ - 8⅝
US Dollar	5 7/16 - 5 5/16	5⅝ - 5½	6 1/16 - 5 15/16	6⅜ - 6¼	6¾ - 6⅝	7½ - 7⅜
Italian Lira	9 - 7½	8½ - 8⅜	8⅝ - 8½	8 15/16 - 8 13/16	9 7/16 - 9 5/16	10⅝ - 10⅜
Yen	2¼ - 2⅛	2¼ - 2⅛	2 3/16 - 2⅛	2 5/16 - 2¼	2⅜ - 2¼	2⅝ - 2½
Asian $Sing	3⅞ - 3¾	4⅜ - 4¼	3⅝ - 3½	4 3/16 - 4 1/16	4 9/16 - 4 7/16	4¾ - 4⅝

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.96	93.92	+0.04	93.97	93.90	17,102	45,004
Jun	93.42	93.44	+0.05	93.48	93.39	12,796	46,690
Sep	93.08	93.08	+0.05	93.12	93.04	3,835	34,006
Dec	92.74	92.76	+0.08	92.79	92.72	2,567	18,742

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		93.32	+0.09			0	1402
Jun		92.71	+0.16			0	535
Sep		92.32	+0.22			0	177
Dec		92.01	+0.25			0	0

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	94.79	94.80	+0.03	94.81	94.77	40749	200505
Jun	94.37	94.40	+0.06	94.41	94.35	49774	164986
Sep	93.95	94.00	+0.08	94.02	93.93	21997	94979
Dec	93.55	93.61	+0.10	93.62	93.53	17878	69132

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	90.53	90.51	+0.03	90.56	90.41	8562	38865
Jun	89.87	89.89	+0.02	89.94	89.81	2508	24349
Sep	89.42	89.48	+0.03	89.52	89.42	1522	26907
Dec	89.18	89.20	+0.02	89.20	89.16	579	15678

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	95.80	95.85	+0.06	95.86	95.79	7665	21097
Jun	95.41	95.48	+0.08	95.50	95.40	6877	11809
Sep	95.11	95.21	+0.10	95.23	95.11	1727	6080
Dec	94.88	94.96	+0.10	94.97	94.87	603	4194

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.54	93.56	+0.08	93.58	93.52	2366	9477
Jun	93.04	93.07	+0.07	93.10	93.02	985	6213
Sep	92.59	92.63	+0.07	92.64	92.57	434	2980
Dec	93.20	92.24	+0.06	92.25	92.19	320	1762

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Jan 26		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.14	16.78	4.852	2.035	5118	5.436	21.23	501.5	421.8	23.87	4.083	2.012	4.524	3.202	318.2	2.568
Denmark	(DKr)	52.23	10	8.767	2.534	1.063	2673	2.839	11.09	262.0	220.3	12.47	2.133	1.051	2.363	1.672	166.2	1.340
France	(FFr)	59.58	11.41	10	2.891	1.212	3049	3.239	12.65	298.8	251.3	14.22	2.433	1.199	2.695	1.908	189.8	1.529
Germany	(DM)	20.61	3.946	3.459	1	0.418	1055	1.120	4.378	103.4	86.93	4.918	0.842	0.415	0.932	0.660	65.57	0.529
Ireland	(I£)	49.15	9.409	8.249	2.385	1	2515	2.672	10.44	246.5	207.3	11.73	2.007	0.989	2.224	1.574	156.4	1.261
Italy	(L)	1.954	0.374	0.328	0.095	0.040	100.	0.106	0.415	9.799	8.242	0.466	0.080	0.039	0.088	0.063	6.217	0.050
Netherlands	(Fl)	18.40	3.522	3.088	0.895	0.374	941.5	1	3.906	92.26	77.60	4.391	0.751	0.370	0.832	0.589	58.53	0.472
Norway	(NKr)	47.10	9.017	7.905	2.285	0.958	2410	2.560	10	236.2	198.7	11.24	1.923	0.948	2.131	1.508	149.9	1.209
Portugal	(Es)	19.94	3.817	3.347	0.967	0.406	1020	1.084	4.234	100.	84.11	4.759	0.814	0.401	0.902	0.638	63.44	0.512
Spain	(Pta)	23.71	4.539	3.979	1.150	0.482	1213	1.289	5.033	118.9	100.	5.658	0.968	0.477	1.073	0.759	75.43	0.608
Sweden	(SKr)	41.90	8.021	7.032	2.033	0.852	2144	2.277	8.895	210.1	176.7	10	1.711	0.843	1.895	1.341	133.3	1.075
Switzerland	(SFr)	24.49	4.689	4.110	1.188	0.498	1253	1.331	5.200	122.8	103.3	5.845	1	0.493	1.108	0.784	77.92	0.628
UK	(£)	49.69	9.513	8.340	2.411	1.011	2543	2.701	10.55	249.2	209.6	11.86	2.029	1	2.248	1.591	158.1	1.275
Canada	(C$)	22.10	4.232	3.710	1.073	0.450	1131	1.202	4.693	110.9	93.24	5.276	0.903	0.445	1	0.708	70.33	0.567
US	($)	31.23	5.979	5.242	1.515	0.635	1598	1.698	6.631	156.6	131.7	7.454	1.275	0.628	1.413	1	99.37	0.801
Japan	(Y)	31.43	6.017	5.275	1.525	0.639	1608	1.708	6.673	157.6	132.6	7.502	1.283	0.633	1.422	1.006	100.	0.806
Ecu		38.97	7.461	6.541	1.891	0.793	1995	2.118	8.275	195.5	164.4	9.302	1.591	0.784	1.763	1.248	124.0	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lire and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.6602	0.6600	-	0.6611	0.6595	36,459	79,871
Jun	0.6631	0.6625	+0.0009	0.6636	0.6623	1,535	2,981
Sep	-	0.6654	-	-	-	10	170

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.0100	1.0101	+0.0007	1.0118	1.0092	18,205	75,813
Jun	1.0225	1.0225	+0.0020	1.0234	1.0222	604	7,828
Sep	-	1.0342	-	-	-	172	566

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	0.7858	0.7849	-0.0010	0.7865	0.7842	21,940	40,814
Jun	0.7903	0.7897	-0.0011	0.7914	0.7896	158	1,343
Sep	-	0.7958	-	-	0.7955	7	72

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	1.5906	1.5878	-0.0036	1.5946	1.5868	14,655	48,843
Jun	1.5920	1.5850	-0.0038	1.5920	1.5850	36	1,309
Sep	-	1.5850	-	1.5920	1.5850	2	8

UK INTEREST RATES

LONDON MONEY RATES

Jan 26	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	5 - 4½	5⅝ - 5⅜	6⅜ - 6¼	6 13/16 - 6 11/16	7 3/16 - 7 1/16	7 13/16 - 7 11/16
Sterling CDs	-	-	6 5/16 - 6¼	6 11/16 - 6⅝	7 1/16 - 7	7¾ - 7 11/16
Treasury Bills	-	-	6¼ - 6⅛	6⅝ - 6½	-	-
Bank Bills	-	-	6 5/16 - 6⅛	6 13/16 - 6 11/16	7 - 6⅞	-
Local authority deps.	6 3/16 - 6 1/16	6 7/16 - 6 5/16	6¼ - 6⅛	5⅝ - 6½	7 1/16 - 6 15/16	7⅞ - 7¾
Discount Market deps	5¾ - 4½	5½ - 5¼	-	-	-	-

UK clearing bank base lending rate 6¼ per cent from December 7, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2	2½	5¼	5½	5¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount 5.8761pc. ECGD fixed rate Stlg. Export Finance. Make up day Dec 30, 1994. Agreed rate for period Jan 25, 1995 to Feb 25, 1995, Schemes II & III 7.71pc. Reference rate for period Dec 1, 1994 to Dec 30, 1994, Schemes IV & V 6.402pc. Finance House Base Rate 6½pc from Jan 1, 1995

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	92.86	92.87	+0.04	92.88	92.83	17275	88760
Jun	92.11	92.18	+0.06	92.18	92.10	22421	76387
Sep	91.58	91.65	+0.09	91.69	91.58	6451	59188
Dec	91.26	81.32	+0.08	91.33	91.26	3842	48446

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9275	0.21	0.06	0.06	0.09	0.67	1.18
9300	0.06	0.05	0.05	0.21	0.89	1.40
9325	0.02	0.02	0.03	0.40	1.11	1.63

Est. vol. total, Calls 7918 Puts 5841. Previous day's open int., Calls 124011 Puts 122952

EMS EUROPEAN CURRENCY UNIT RATES

Jan 26	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.12957	-0.00015	-3.06	10.43	-
Belgium	40.2123	39.1857	-0.0035	-2.55	9.86	18
Germany	1.94964	1.90073	+0.00147	-2.51	9.81	-
Austria	13.7167	13.3721	+0.0098	-2.51	9.82	-
Ireland	0.808628	0.795263	-0.000993	-1.65	8.86	11
France	6.53883	6.57270	-0.00507	0.52	6.51	-4
Denmark	7.43679	7.49833	+0.00214	0.83	6.18	-6
Portugal	192.854	196.473	+0.092	1.88	5.06	-13
Spain	154.250	165.135	-0.46	7.05	0.00	-48
NON ERM MEMBERS						
Greece	264.513	296.038	+0.224	11.92	-4.34	-
Italy	1793.18	2004.30	+3.88	11.77	-4.22	-
UK	0.786749	0.786524	-0.000631	-0.03	7.09	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	PUTS Feb	PUTS Mar	PUTS Apr
1.500	8.95	8.92	9.02	-	-	0.20
1.525	6.52	6.61	6.90	-	0.12	0.50
1.550	4.10	4.44	4.85	0.03	0.43	1.02
1.575	2.01	2.62	3.32	0.39	1.08	1.85
1.600	0.63	1.36	2.11	1.49	2.27	3.01
1.625	0.10	0.60	1.23	3.42	3.93	4.60

Previous day's vol., Calls 5,898 Puts 9,894. Prev. day's open int., Calls 231,814 Puts 280.154

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.34	93.29	-0.04	93.34	93.26	157,877	424,463
Jun	92.68	92.63	-0.05	92.69	92.61	300,665	393,046
Sep	92.25	92.22	-0.05	92.27	92.20	111,272	283,950

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Mar	93.92	93.92	-0.03	93.93	93.90	3,536	10,269
Jun	93.27	93.26	-0.05	93.27	93.25	1,349	8,211
Sep	92.87	92.84	-0.02	92.87	92.84	422	3,270

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Feb	CALLS Mar	CALLS Apr	CALLS Jun	PUTS Feb	PUTS Mar	PUTS Apr	PUTS Jun
9475	0.09	0.13	0.05	0.08	0.04	0.08	0.40	0.43
9500	0.01	0.03	0.02	0.03	0.21	0.23	0.62	0.63
9525	0	0.01	0	0.01	0.45	0.46	0.85	0.86

Est. vol. total, Calls 13273 Puts 10976. Previous day's open int., Calls 152343 Puts 201521

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Mar	CALLS Jun	CALLS Sep	PUTS Mar	PUTS Jun	PUTS Sep
9575	0.15	0.12	0.08	0.05	0.39	0.62
9600	0.03	0.06	0.03	0.18	0.58	0.82
9625	0	0.02		0.40	0.79	

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1795 Puts 2015

BASE LENDING RATES

	%		%		%
Adam & Company	6.25	Duncan Lawrie	6.25	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	9
Allied Trust Bank	6.25	Exeter Bank Limited	7.25	Royal Bk of Scotland	6.25
AIB Bank	6.25	Financial & Gen Bank	7.00	Singer & Friedlander	6.25
●Henry Ansbacher	6.25	●Robert Fleming & Co	6.25	●Smith & Williamson Secs.	6.25
Bank of Baroda	6.25	Girobank	6.25	TSB	6.25
Banco Bilbao Vizcaya	6.25	●Guinness Mahon	6.25	●United Bk of Kuwait	6.25
Bank of Cyprus	6.25	Habib Bank AG Zurich	6.25	Unity Trust Bank Plc	6.25
Bank of Ireland	6.25	●Hambros Bank	6.25	Western Trust	6.25
Bank of India	6.25	Heritable & Gen Inv Bk	6.25	Whiteaway Laidlaw	6.25
Bank of Scotland	6.25	●Hill Samuel	6.25	Yorkshire Bank	6.25
Barclays Bank	6.25	C. Hoare & Co	6.25		
Brit Bk of Mid East	6.25	Hongkong & Shanghai	6.25	● Members of London Investment Banking Association	
●Brown Shipley & Co Ltd	6.25	Julian Hodge Bank	6.25	* In administration	
Citibank NA	6.25	●Leopold Joseph & Sons	6.25		
Clydesdale Bank	6.25	Lloyds Bank	6.25		
The Co-operative Bank	6.25	Meghraj Bank Ltd	6.25		
Coutts & Co	6.25	Midland Bank	6.25		
Credit Lyonnais	6.25	* Mount Banking	6.25		
Cyprus Popular Bank	6.25	NatWestminster	6.25		
		●Rea Brothers	6.25		

LONDON SHARE SERVICE

BANKS, MERCHANT

BANKS, RETAIL

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

INVESTMENT COMPANIES - Cont.

LEISURE & HOTELS

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL EXPLORATION & PRODUCTION - Cont.

OIL, INTEGRATED

OTHER FINANCIAL

OTHER SERVICES & BUSINESSES

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

RETAILERS, FOOD

RETAILERS, GENERAL

RETAILERS, GENERAL - Cont.

SPIRITS, WINES & CIDERS

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

TRANSPORT - Cont.

WATER

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	1994/95 high	low	Mkt CapÂ£m	Yld Gr's	P/E
Anglo Am Ind		£31	—	£34	713½	2,022	2.4	22.7
Barlow		£4½	-⅛	£5¾	£3⅜	911.1	2.2	10.4
Gold Flds Prop 8		141	+2	182	75	14.4	7.0	Φ
NK Props		87½	—	98	85	3.92	13.0	–
SASOL	♥	446	-7	582	280	2,572	3.1	–
SA Brews	†	£13⅜	+⅛	£16⅜	£16	3,790	2.1	21.5
Tiger Oats		780	—	838	538	1,128	2.0	17.7
Tongaat-Hulett	†b	701	—	*725	358¼	838.8	2.0	20.6

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for capital changes.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Not subject to ACT. z Dividend yield includes a special payment. F Yield based on prospectus or other official estimates for 1994-95. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1995. K Yield based on prospectus or other official estimates for 1994. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1995-96. N Figures based on IIMR "Headline Earnings". P Figures based on prospectus or other official estimates for 1994. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Money Funds

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

GUERNSEY (SIB RECOGNISED)

AIB Investment Managers (Guernsey) Ltd

Adams & Neville Fd Mngmt (Guernsey) Ltd

Equitable International Fund Managers Ltd

Guinness Flight Fd Mngrs (Guernsey) Ltd

Hambros Fd Mgrs (CI) Ltd

Kleinwort Benson Intl Fd Mngrs Ltd

Lazard Freres Asset Management (CI) Ltd

Lazard Fund Mngrs (Channel Islands) Ltd

Lazard Fund Mngrs - Contd.

Lloyds Intl Money Market Fund Ltd

M & G (Guernsey) Ltd

Rothschild Asset Mngmt (CI) Ltd

Royal Bk of Canada O/S Fd Mngrs Ltd

Merrill Lynch Guernsey

Nikko Capital Mngt (Europe) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

U.S. Advisors (Guernsey) Limited

Yamaichi Capital Mngt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Arab Bank Fund Managers (Guernsey) Ltd

Bellevest Management (Guernsey) Ltd

CIBC Fund Managers (Guernsey) Ltd

Clariden Investment Management (Guernsey) Ltd

Global Portfolio Management (Guernsey) Ltd

Guernsey Capital Management Limited

Hambros Fund Managers (Guernsey) Ltd

Lazard Fund Managers (CI) Ltd

Lloyds Bank Fund Managers (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

BT Fund Managers (Ireland) Ltd

Baring International Fd Managers (Ireland) Ltd

Coutts & Co Fund Managers Limited

Dresdner Intl Management Services Ltd

Federated International Funds Plc

The Fiduciary Trust Global Fund

GAM Fund Management Ltd

GT Asset Management (Ireland) Ltd

Old Mutual International Fd Mngrs Ltd

Pacific International Fund Plc

Scottish Widows Management (Ireland) Ltd

Singer & Friedlander Inv Funds Ltd

Swiss Life Investment Fund – Proteus (u)

IRELAND (REGULATED)(**)

AIB Fund Management Ltd

Apollo Fund Plc

Argentina European Hedge Fund plc

Asia Small Cos Growth Fund plc

Asia Dynamic Growth Fund Plc

Asian Diversified Equity Fund Plc

Asian Emerging Markets Fund Plc

Asian Growth Fund Plc

BT Fund Managers (Ireland) Ltd (u)

Bank of Cyprus Group

Bank of Ireland Asset Managers Ltd

Baring International Fd Mngrs (Ireland) Ltd

Berkeley Korea Fund Plc

Chemical Ireland Fund Administrators Ltd

Dresdner International Management Services Ltd

Dynamic Pacific Portfolio Fund Plc

Emerging Dynamic Fund Plc

F.I.T. Investment Trust Ltd (u)

Frank Russell Investments (Ireland) Ltd (u)

GT Asset Management (Ireland) Ltd

Global Resources Stock Fund

Hambros Fund Managers (Ireland) Ltd

Henderson Crosthwaite Investment Co

Kim Eng Worldwide Fund

Kleinwort Benson Bond Arbitrage Fund Plc

Kleinwort Benson Derivative Products Fd Plc

Kleinwort Benson Capital Mngt (Ireland) Ltd

Korea CB Fund Plc

Korea Capital Growth Fund

Korea Sprint Fund Plc

Korea Sunrise Fund

Morgan Grenfell Fixed Income Funds Plc

Morgan Grenfell Prolands Plc

New Silk Road Fund

Old Mutual International (Ireland) Ltd

Orient Investment Fund Plc

Pacific Growth Fund Ltd

Paine Webber Offshore Funds Plc (u)

Sovereign International (Ireland) Plc

Scottish Amicable European/International

Stellar Fund Plc

Ulster Bank Investment Services

Yellow Express Fund Plc

Yellow Sea Investment Company PLC

Yield Korea Fund

ISLE OF MAN (SIB RECOGNISED)

AXA Equity & Law Intl Fund Mngrs

Midland Dunbar Intl Fund Mngrs (1000)F

Ashburton Global Funds Ltd (1200)

Bank of Ireland

CMI Fund Managers (IoM)

Leopard Jersey Fund Managers (IoM) Ltd

Mercury Fund Managers (IoM) Ltd

Sun Life Management (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

ATC Fund Management Ltd

AXA Equity & Law Intl Fund Mgrs

City Financial Admin (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

IBI Managers (IoM) Ltd

Dollar Intl Mngt (IoM) Ltd

R & H Fund Managers Ltd

JERSEY (SIB RECOGNISED)

AIB Fund Managers (CI) Ltd

Barclays International Funds

Capital House Fund Mngrs (CI) Ltd

Coutts & Co (Jersey) Fund Managers Ltd

Gartmore Fund Managers Intl Ltd

John Govett (Channel Islands) Ltd (1000)F

Lloyds Bank Fund Managers (Jersey) Ltd

Midland Bank Fund Managers (Jersey) Ltd

Prudential Fund Managers (Jersey) Ltd

Royal Bank of Canada (Jsy) Fd Mgt Ltd

Standard Bank Fund Mngt (Jersey) Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Barclays Intl Funds

Cazenove International Fund Mngt Ltd (CAM)

Citibank (CI) Ltd "CitiFunds"

Concerto Ltd

Coutts & Co (Jersey) Fund Managers Ltd

Fleming Group

Foreign & Colonial Mngt (Jersey) Ltd

John Govett Management (Jersey) Ltd

Jupiter Tyndall (Jersey) Ltd

Lloyds Private Banking (CI) Ltd

Lombard Odier (Jersey) Ltd

Minerals, Oils Res. Shrs. Fd. Inc.

Portugal Fund Limited

Royal Bank of Canada Intl Fd Mgt Ltd

Royal Bk of Scotland Fd Mngrs (Jersey) Ltd

Schroder Mngt Services (Jersey) Ltd

TSB Trust Funds (CI)

Worldinvest (Managers) Jersey Ltd

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds

Barclays International Funds (Luxembourg)

Commercial Union Luxembourg SA (u)

Commercial Union Luxembourg SA - Contd.

Credit Suisse Fund Management

Fleming Group

Gartmore Luxembourg SA (u)

HSBC Investment Funds Luxembourg SA (u)

Jupiter Tyndall Global Fund

Kleinwort Benson Select Fund (u)

Liberty ALL-STAR World Fund

Lloyds Bank Luxembourg

Midland Intl Circuit Fund SICAV(u)

LUXEMBOURG (REGULATED)(**)

Aetna International Umbrella Fund (u)

Alliance Capital

Asian Development Equity Fund

Banque Paribas Luxembourg

Citicorp Investment Mngt (Luxembourg) SA

Clan Enterprise Korea Value Fund

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LONDON STOCK EXCHANGE

MARKET REPORT

Corporate deals again set the pace for shares

By Terry Byland, UK Stock Market Editor

Bid excitement continued to dominate the UK stock market yesterday, and investors had little time to respond to better news on the outlook for interest rates both in Europe and in the US.

London traders took a slightly more optimistic line than those on Wall Street regarding the testimony of Mr Alan Greenspan to the Senate banking committee yesterday. The latest M3 money supply figures in Germany showed the rate of growth within the Bundesbank's preferred range.

The FT-SE 100-share Index climbed back above the 3,000 mark in the final hour of trading to close a net 25.1 higher at 3,007.3. The market opened firmly in the wake of Wall Street's comfortable response to Mr Greenspan's address to a Senate banking committee overnight, and was also encouraged by confirmation that Cadbury-Schweppes was bidding $1.7bn for the outstanding equity in Dr Pepper/Seven Up. Cadbury's planned £393m rights issue, smaller than expected, was brushed aside.

Another market rumour came home in style when Veba, of Germany, and Cable and Wireless confirmed a tie-up, involving share cross-holdings, aimed at strengthening their position in the European telecommunications industry. Veba was understood to have bought 109m shares in C&W in London yesterday, about half the number required for its intended 10.5 per cent stake.

Shares in British Aerospace were firmer on the agreement with ATR, the Franco-Italian regional aircraft group, which has also been the subject of long running speculation in the London stock market.

But bid fever in the banking sector waned, at least for the moment, after Dresdner Bank said it was not interested in bidding for either S.G. Warburg or Kleinwort Benson, and Banque Nationale de Paris refused comment on London market hints that it might be taking a look at TSB. All these UK banking takeover targets fell back, although sector specialists remained convinced that they are all in play as speculative targets.

The market had to wait until later in the session for the latest development in its biggest takeover story on record – the £9.4bn Glaxo bid for Wellcome. The market's immediate response to the news that Wellcome's board has rejected the offer as too low and will look for a bid elsewhere was to wonder where a second suitor with around £10bn could be found.

Such a bidder would also have to gain acceptance from the Wellcome Trust, with 40 per cent of the equity, which will expect to see the £6bn-plus cash content of the Glaxo bid maintained or increased. Wellcome shares closed firmly as investors waited to see if the board can jostle Glaxo into increasing its terms.

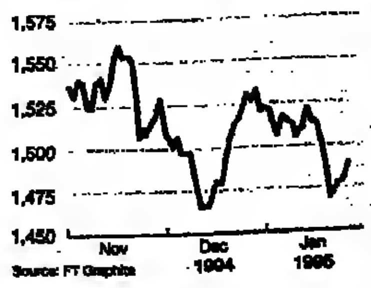
At least two trading programmes were identified in the marketplace, although neither were anywhere near the size of last week's Goldman Sachs deals.

Seaq-reported volume rose to 717m shares yesterday, while Wednesday's 636.8m represented £1.8bn at retail level, again one of the better totals recorded over the past 12 months.

Although Mr Greenspan's comments on US economic growth pleased the UK market, attention will still be focused on the announcement this afternoon of the US GNP figures for the final quarter of last year. London analysts expect to see evidence of further growth in the US economy and expect this to overshadow the Federal Reserve's meeting next week.

Concern over domestic interest *rates also continued ahead of next* week's meeting between the UK chancellor and the governor of the Bank of England. However, interest rate concerns have been shouldered aside in London this week by the rush of big corporate deals.

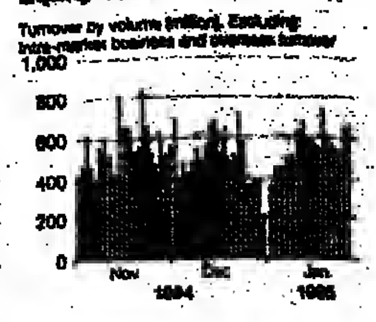
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3007.3	+25.1
FT-SE Mid 250	3397.2	+6.4
FT-SE-A 350	1504.2	+10.3
FT-SE-A All-Share	1489.05	+9.48
FT-SE-A All-Share yield	4.11	(4.13)
FT Ordinary index	2271.9	+20.2
FT-SE-A Non Fins p/e	17.52	(17.45)
FT-SE 100 Fut Mar	3023.0	+30.0
10 yr Gilt yield	8.73	(8.80)
Long gilt/equity yld ratio:	2.14	(2.15)

Best performing sectors

1 Insurance ... +2.9
2 Tobacco ... +2.7
3 Retailers, Food ... +2.0
4 Pharmaceuticals ... +1.7
5 Life Assurance ... +1.6

Worst performing sectors

1 Distributors ... -0.5
2 Water ... -0.4
3 Gas Distribution ... -0.3
4 Electronic & Elec Eqpt ... -0.3
5 Retailers, General ... -0.2

Wellcome moves ahead

Pharmaceuticals group Wellcome leapt as the company took the Oliver Twist line and insisted on more before it would be prepared to bow to Glaxo.

Wellcome said the £9.4bn takeover bid launched on Monday was inadequate, it had asked the Wellcome Trust not to accept it, and was exploring other opportunities.

The market was prepared to believe that Glaxo might dig deeper into its pockets and Wellcome shares were bought up 32 to 986p on heavy turnover of 14m. Dr Jonathan Gelles of Wertheim Schroder argued that the stock could now move ahead to 1250p. Dr Gelles predicted in June last year that Wellcome was vulnerable at 900p a share.

Some analysts have cited possible counter-bids from heavyweight internationals such as Pfizer, Roche and Sandoz, but most feel that Glaxo will be the victor, particularly as it has the backing of the Wellcome Trust, the charity which currently owns 40 per cent of Wellcome.

A statement was made earlier in the day that Glaxo held a 40 per cent stake, representing 343.6m shares. Although the announcement was conditional, most dealers felt the deal was in the bag. By the close, Wellcome shares were estimated by one leading arbitrage expert to offer a way into Glaxo at a 30p discount. Glaxo, which now yields around 6 per cent, advanced 16 to 616p with 14m traded.

Meanwhile, the company lost no time in continuing its bid for global domination. It announced a recommended $533m offer for Affymax, a Californian biotechnology group.

Inchcape slides

A profits warning from Inchcape, the international trading group, came as a nasty surprise and the shares were savagely rerated, tumbling headlong to a new low of 311p, down 82 or more than 20 per cent.

Seldom has a Footsie share caught the stock market so wrong-footed. Turnover was heavy at 10m and there were suggestions towards the close that something of a two-way pull developed as a yield of 6 per cent found some takers.

The group has been hit by currency factors and demand weakness, and an earlier forecast of maintained 1994 profits has now been turned into a 10 per cent decline. But the tax charge is rising and Robert Fleming Securities suspects that earnings per share could emerge 16 per cent lower.

What Inchcape had to say about flat UK trading cast a clear shadow over the rest of the sector. Lex Service fell 10 to 296p and Caffyns 5 to 263p.

Cadbury-Schweppes, the food and soft drinks giant, moved ahead sharply on heavy turnover after the terms of its offer for Dr Pepper/Seven Up were announced.

Most of the details had been leaked into the market, but analysts were pleasantly surprised that the amount of cash to be raised through a rights issue was only £395m – there had been concerns that it could be as high as £500m.

The relief factor saw the shares jump 23½ to 422p, with turnover high at 15m. Mr Carl Short, who faxed a buy recommendation to clients while recovering from a minor operation, was inspired to comment: "Cadbury's share price has been sick for the past year and this deal is just what the doctor ordered."

Cable and Wireless was among the market's front runners at the outset of trading as Veba, the German industrial group, instructed NatWest Securities to buy up to 5 per cent of C&W shares at a maximum price of 435p.

NatWest invited offers of stock from clients and closed its offer just before midday at a striking price of 395p, buying in just short of 110m shares.

Veba's purchase of the stake came after the two companies announced a strategic alliance with C&W, a move mooted in the UK press for some time.

C&W shares moved to a session's high of 404p, before drifting back to finish unchanged at 378p.

Reports that Dresdner Bank had denied any takeover intentions towards S.G. Warburg and Kleinwort Benson, two of the London market's current takeover favourites, brought an instant response from the market where both stocks gave back initial strong gains.

Kleinwort, up to 620p shortly after the opening, settled a net 2 higher at 601p – on turnover of 1.5m – while S.G. Warburg closed 7 off at 747p, after touching 773p early on, on turnover of 2.3m. Mercury Asset Management, seen as the jewel in Warburg's crown, rose 6 to 793p. Smith New Court, one of the UK market's most highly regarded securities houses, put on 9 at 449p.

After the Kleinwort/Warburg denials by Dresdner, the market immediately shifted its focus to Schroders, another highly rated merchant bank, whose shares promptly jumped 45 to 1440p.

The absence of any bid developments saw TSB slip 6 to 242p on 6.4m traded. Lehman Brothers was said to have been behind a surge in Barclays, 16 higher at 564p.

Bid speculation shifted towards the composite insurers, where Commercial Union rose 20 to 506p and Guardian 5½ to 172½p. In the brokers, Willis Corroon eased a shade to 139p after news of 100 job losses in the US.

Speciality chemicals group Laporte improved 15 to 676p as a big buyer returned to the market and one securities house recommended the stock at its morning meeting. Williams de Broe argued that spot prices for raw materials – which have been hitting speciality companies' margins – have now peaked.

Tobacco and insurance conglomerate BAT Industries jumped 10 to 449p after James Capel reiterated a buy recommendation following news of higher profits for American Brands and Philip Morris. BAT took over American Tobacco in December.

British Airways continued to move ahead, adding 8½ at 367½p in 10m turnover, as sentiment over USAir improved ahead of today's results from the loss-making US associate. Rumours of a cost-cutting deal between USAir and its unions continued to bolster sentiment, along with the better than expected recent fourth quarter results from United Airlines.

Third quarter results are due on Monday from airports group BAA and if the recent run of monthly traffic flow numbers are any guide the figures will be encouraging. The shares added 7 to 462p.

British Aerospace gained further ground following confirmation of the group's turboprops link up with Franco-Italian joint venture ATR and indications of improved profits and cash-flow for 1994. The shares added a penny to 472p in 8.3m turnover.

MARKET REPORTERS:
Steve Thompson,
Peter John,
Jeffrey Brown.

FINANCIAL TIMES EQUITY INDICES

	Jan 26	Jan 25	Jan 24	Jan 23	Jan 20	Yr ago	*High	*Low
Ordinary Share	2271.9	2251.7	2251.3	2253.3	2260.9	2527.2	2713.0	2238.3
Ord. div. yield	4.60	4.65	4.64	4.65	4.57	3.54	4.66	3.43
Earn. yld. % full	6.75	6.82	6.80	6.84	6.71	4.00	6.84	3.82
P/E ratio net	17.14	16.92	17.00	16.91	17.24	21.52	33.43	16.91
P/E ratio nil	18.50	16.44	16.47	16.37	16.63	29.20	30.80	16.27

*For 1994/5. Ordinary Share index since compilation: high 2713.6 2/2/94, low 49.4 26/6/40. FT Ordinary Share index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2256.7	2264.2	2260.1	2258.4	2261.1	2264.3	2264.4	2265.1	2272.8	2273.9	2256.7

	Jan 26	Jan 25	Jan 24	Jan 23	Jan 20	Yr ago
SEAQ bargains	22,637	22,348	23,192	23,573	18,194	35,924
Equity turnover (£m)†	-	1602.6	1867.7	1514.3	1449.2	2213.2
Equity bargains†	-	30,889	30,157	31,856	28,944	43,737
Shares traded (ml)†	-	671.6	677.1	531.9	553.5	847.1

†Excluding intra-market business and overseas turnover

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	3003.0	3023.0	+30.0	3029.0	3000.0	13693	56724
Jun		3033.0	+30.0			0	5356
Sep		3057.0	+30.0			0	38

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar		3410.0	+30.0			0	3944

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt cap (£m)	1994/95 High	1994/95 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
100	F.P.	4.99	99	90½	Asset Man Inv	93		-	-	-	-
-	F.P.	1.63	7	5½	Cale. Media Wrts	5½	-¼	-	-	-	-
-	F.P.	64.8	173	133	Clydeport	157		RN5.51	-	2.8	-
$10	F.P.	34.2	625	570	First Russian Fr	570		-	-	-	-
-	F.P.	8.34	94	93	Gartmore Mic Ind	94		-	-	-	-
-	F.P.	-	39	38	Do. Warrants	38		-	-	-	-
-	F.P.	27.7	104	94	Hill Hire	102		Nn3.38	2.0	4.1	12.7
100	F.P.	27.3	103	100	Kiln Capital	101		F4.0	-	5.0	-
-	F.P.	28.9	55	51¼	Lazard Bida India	51½		-	-	-	-
-	F.P.	3.17	32½	29¼	Do Warrants	30½		-	-	-	-
35	F.P.	22.1	36	34	MCIT S Cap	34		-	-	-	-
35	P.P.	23.4	36	38	MCIT S Inc	36		-	-	-	-
§3	F.P.	5.55	3½	3	MICE Group	3¼		bN0.1	3.2	3.7	10.4
100	F.P.	41.0	94	01	Matheson Lloyds	02		-	-	-	-
-	F.P.	19.0	130	95	Pentex Oil	95		-	-	-	-
182	F.P.	1,475.9	188	167	TeleWest	174	+1	-	-	-	-
100	F.P.	17.6	102	102	Wellington Un.	102		-	-	-	-
-	F.P.	262.1	125	110	Woodchester Units	125		-	-	-	-

FT GOLD MINES INDEX

	Jan 25	% chg on day	Jan 24	Jan 23	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	1756.82	-1.8	1783.86	1807.87	2174.96	2.18	2852.90	1762.82
■ Regional indices								
Africa (16)	2677.86	-2.0	2732.42	2794.08	2885.05	5.12	3711.87	2304.45
Australasia (7)	2129.06	-2.0	2173.37	2210.86	2853.78	0.80	2965.58	2129.35
North America (11)	1429.10	-1.2	1447.13	1457.52	1867.20	0.79	1924.91	1388.34

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Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92.
Predecessor Gold Mines Index: Jan 26: 194.1 ; day's change: -0.8 Year ago: 224.9 † Partial.
Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Jan 26	Day's chge%	Jan 25	Jan 24	Jan 23	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3007.3	+0.0	2982.2	2969.0	2954.2	3427.3	4.30	7.39	15.99	3.28	1149.39
FT-SE Mid 250	3397.2	+0.2	3390.6	3395.8	3384.3	4076.4	3.73	6.44	18.53	6.72	1282.43
FT-SE Mid 250 ex Inv Trusts	3412.4	+0.1	3407.5	3412.5	3403.0	4088.8	3.87	6.95	17.30	7.04	1286.45
FT-SE-A 350	1504.2	+0.7	1493.9	1489.2	1482.4	1734.8	4.17	7.17	16.51	1.95	1176.69
FT-SE-A 350 Higher Yield	1533.5	+0.9	1518.4	1515.5	1508.6	1745.5	5.21	7.65	16.84	2.74	986.33
FT-SE-A 350 Lower Yield	1474.0	+0.5	1468.0	1462.7	1454.9	1680.4	3.11	6.69	17.60	1.17	972.76
FT-SE SmallCap	1713.89	+0.1	1713.02	1714.23	1714.10	2028.18	3.38	6.48	18.38	1.89	1341.10
FT-SE SmallCap ex Inv Trusts	1696.69	......	1696.57	1698.48	1700.21	1994.07	3.57	7.25	17.53	2.12	1332.46
FT-SE-A ALL-SHARE	1489.05	+0.6	1479.59	1475.48	1469.23	1720.79	4.11	7.12	16.71	1.91	1184.59

■ FT-SE Actuaries All-Share

	Jan 26	Day's chge%	Jan 25	Jan 24	Jan 23	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(25)	2648.65	+0.5	2632.78	2625.38	2602.83	2597.93	3.56	5.12	24.69	0.00	1068.51
12 Extractive Industries(7)	3568.05	+1.2	3526.69	3505.41	3478.97	3957.83	3.40	5.46	22.88	0.00	984.58
15 Oil, Integrated(3)	2641.71	+0.4	2630.86	2625.12	2600.10	2511.32	3.68	5.68	21.90	0.00	1090.92
18 Oil Exploration & Prod(15)	1870.32	+0.2	1866.11	1860.47	1857.13	1927.27	2.61	‡	‡	0.00	1062.14
20 GEN INDUSTRIALS(279)	1789.47	+0.2	1786.38	1789.47	1790.06	2158.79	4.36	5.98	20.04	1.12	921.01
21 Building & Construction(38)	943.49	+0.1	942.34	946.35	947.08	1466.14	4.11	6.66	19.90	0.00	744.96
22 Building Matls & Merchs(31)	1688.36	-0.1	1689.55	1693.00	1686.17	2333.36	4.52	6.54	18.44	0.20	803.63
23 Chemicals(23)	2229.28	+1.1	2205.36	2212.55	2223.93	2424.29	4.24	4.88	25.43	0.50	996.28

■ Major Stocks Yesterday

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

US INDICES

INDEX FUTURES

■ CAC-40	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	1813.0	1824.0	+26.0	1827.0	1810.0	29,571	22,677
Feb	1820.0	1820.0	+26.0	1834.0	1819.0	7,086	4,198

■ DAX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Mar	2048.0	2050.5	+22.5	2052.0	2041.5	12,595	N/A
Jun	2068.0	2070.0	+22.5	2070.0	2061.0	296	N/A

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Jan	1160.00	1152.00	-7.90	1160.00	1152.00	1,311	10,469
Feb	1165.00	1163.00	+13.0	1167.00	1159.00	5,460	15,200

■ SOFFEX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Feb	2542.0	2559.0	+20.0	2561.0	2542.0	4,201	15,986
Mar	2555.5	2567.0	+8.0	2555.5	2555.0	78	485

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	469.80	469.70	-0.20	470.25	468.90	80,785	199,141
Jun	473.45	473.80	-	474.00	472.90	2,166	11,174

■ Nikkei 225	Open	Latest	Change	High	Low	Est. vol.	Open int.
Mar	18260.0	18180.0	-30.00	18470.0	18060.0	46,092	128,266
Jun	18310.0	18170.0	-80.00	18510.0	18140.0	715	6,584

Open interest figures for previous day.

— Sat Jan 21: Taiwan Weighted Price 6431.99; Korea Comp Ex 955.11. Base values of all indices are 100 except Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Jan 26 - 2040.70 +13.82

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ▼ Subject to official recalculation.

Prices supplied by Telekurs

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994/95, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

■ TOKYO – MOST ACTIVE STOCKS: Thursday, January 26, 1995

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Const	21.9m	685	+10	Toyo Ink Mgf	9.4m	578	-8
Toyo Const	21.6m	625	-5	Aoki Corp	9.2m	517	+9
Fudo Const	19.2m	1000	+100	Nippon Steel	9.0m	356	+12
Penta Ocean	12.8m	662	+22	Sumitomo Osaka	8.3m	544	-11
Taisho Pharm	12.0m	1,810		Daisue Const	7.7m	674	+35

4 pm close January 26

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1994/95 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅞	11⅞	AAR	0.48	3.4	25	455	14¼	13¾	14¼	+⅛
21⅞	12⅝	A L Labs A	0.18	0.9	45	308	20	20	20	
78⅞	57⅞	AMP	1.84	2.5	22	3407	74	73	73⅞	+⅝
72¾	48⅛	AMR			25	7426	58⅞	56⅞	57	-1⅞
58⅛	38⅝	ASA	2.00	4.6	28	339	44½	43⅝	43¾	-⅝
33⅞	25⅞	AbbttL	0.76	2.3	17	6856	33½	57⅛	33¼	-¼
15¾	11⅝	Abitibi Pr	0.80	3.7	12	229	13⅞	13½	13⅝	
23⅞	17¾	ABM Ind	0.60	2.5	14	71	u24	23⅞	23⅞	+½
18	11⅛	Acptocsin			12	140	16⅛	16⅛	16⅛	
31	20¾	ACE Ltd	0.44	1.8	8	1398	24⅜	23¾	24¼	+⅛
12½	9	ACM Gvt In	1.09	11.6	6	270	9¼	9⅛	9¼	-⅛
10⅛	6⅞	ACM GvOpp	0.80	10.6		50	7⅝	7¼	7⅝	+⅛
10⅝	6¾	ACM Gvt Sp	0.96	13.2		246	7¼	7⅛	7¼	
12	7⅝	ACM Gvt Se	1.09	13.3		396	8⅛	8⅛	8¼	+⅛
11¾	7⅞	ACM Man	1.08	13.3		369	8¼	8⅛	8⅛	-⅛
9¼	7¼	ACM Managd	0.72	9.8		64	7⅜	7⅜	7⅜	
16⅛	8⅜	AcmeClv	0.44	2.8	0	779	16	16	15½	-⅛
19⅞	8½	Acme Elect			18	209	17⅞	17⅛	17½	-⅜
33½	23	Acordia	0.60	1.9	16	15	31⅞	31⅞	31⅞	
13¾	5¼	Actava	0.36	3.9	2	232	9⅜	8¾	9⅛	+⅛
18⅜	11¼	Acuson			25	404	15¾	15½	15¾	+⅛
18⅜	15½	Adams Expr	0.58	2.2	0	113	16	15⅞	16	+⅛
64½	46½	Ad Micro	3.00	4.8		105	61⅞	61	61	-⅛
32¼	16⅜	AdvMc	3.00	9.9	6	6777	30¾	30⅛	30¼	-¼
6⅞	5	Advest Grp	0.18	2.8	29	101	5⅝	5½	5⅝	+⅛
20	15	Advo Inc	0.16	8.8	15	128	18¾	18	18	+⅛
68⅛	48⅜	Aegon ADR	1.47	2.3	12	25	64½	64⅛	64½	+¼
8	3⅜	Aerflx			8	155	3⅞	3¾	3¾	-⅛
65¾	42¼	AetnaL	2.76	5.8	8	1147	48	48⅜	48⅞	-⅛
38⅛	25¼	Aflac	0.46	1.4	12	1416	34	33⅝	34	+⅜
22⅞	15⅛	Ahmanson	0.08	5.5	6	1430	18½	18⅛	18⅜	-⅜
4	⅝	Aileen Inc			0	72	11/16	⅝	⅝	
50⅜	39⅞	AirPrC	0.08	2.2	20	579	45½	45¼	45⅜	

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4 pm close January 26

NYSE COMPOSITE PRICES

1994/95 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chge Prev. Close
Continued from previous page										
35½	30⅛	SFePPips	2.80	8.3	8	123	34	33⅞	33⅞	+⅛
26¾	12⅛	SanFeP	0.10	0.5	17	6306	18⅝	18⅛	18⅝	+¼
26⅛	18⅝	SaraLee	0.68	2.7	55	12737	25⅝	24⅞	25⅝	+1⅛
50⅛	41	Scana Corp	2.82	6.4	12	270	43¾	43⅝	43¾	+⅛
20⅛	12½	Scecorp	1.00	6.4	10	4858	15⅝	15⅜	15⅝	+⅛
13⅝	8¾	SchwnkA	0.20	2.6	39	10	10⅛	9⅞	10⅛	+⅛
45½	31⅛	SchererRP			29	404	43⅝	43⅜	43⅝	
75⅞	54⅛	SchPl	2.04	2.7	18	4656	75¾	73⅞	75¾	+1⅛
63	50	Schlmb	1.20	2.2	25	2151	54¾	53⅝	54	
40¼	23¾	Schwab(C)	0.36	0.9	18	1624	39⅝	38¾	39⅛	-⅛
10⅝	6⅛	Schwitzer			7	31	8¾	8⅛	8¾	
22⅛	12½	SciAtl	0.06	0.3	37	7367	20	18⅞	20	+1⅞
16¼	13	Scotman	0.10	0.6	13	10	17¾	17⅝	17⅝	-⅛
74½	37¼	ScottP	0.80	1.1	22	1374	71⅜	70½	70⅞	
31	23	Scripps	0.44	1.6	18	162	27⅜	27	27	-⅛
28⅝	15⅞	ScuddrNAsF x	0.02	0.1		89	16¾	16⅜	16¾	+¼
12⅝	8¾	ScuddrNEuF	0.18	1.6		172	9	8⅞	8⅞	-⅛
18¼	12	SeaCnB	0.70	5.0	6	5	14	14	14	
18½	14⅛	SeaC1.4625	1.46	0.8		4	15¾	15¼	15¼	
28	22⅞	S'gate			7	2135	25⅞	25½	25⅝	-¼
32⅝	28¼	Seagrm	0.60	2.0	14	2633	30¼	29⅝	29⅞	-⅜
28¾	17⅛	Seagull En			30	589	18	17¾	18	+¼
40⅝	26⅝	Sealed Air			21	319	40¼	39¼	40¼	+¾
55⅛	42⅛	SearsR	1.60	3.6	13	10883	45	44½	44⅞	
13¾	9¾	Seligm Sel	0.84	7.2		62	11¾	11⅝	11⅝	-⅛
39¼	20	Sensormat	0.22	0.8	24	2603	30⅜	29¼	29¼	-⅛
39¾	17⅞	SequaA	0.60	2.8	8	133	22⅜	22¼	22⅜	+⅜
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AMEX COMPOSITE PRICES

4 pm close January 26

[illegible]

NASDAQ NATIONAL MARKET

4 pm close January 26

[illegible]

AMERICA

Dow declines as consumer stocks gain

Wall Street

US shares slipped yesterday morning as Congressional testimony by Mr Alan Greenspan, chairman of the Federal Reserve, added to worrias about another interest rate increase, *writes Lisa Bransten in New York.*

By 1 pm, the Dow Jones Industrial Average had lost 11.10 at 3,860.35. The more hroadly traded Standard & Poor's 500 dropped 0.09 at 467.35 and the American Stock Exchange composite fell 1.19 to 437.33. The Nasdaq composite fell 2.40 at 758.58. Trading volume on the NYSE came to 182m shares.

In testimony to a Senate panel, Mr Greenspan said that he hoped that the US economy would "slow down to a sustainable pace," but did not rule out another interest rate increase to push it in that direction.

The consensus on Wall Street has been for several weeks that the central bank would raise interest rates by 50 basis points at next week's meeting of the Fed's open market committee.

Also troobling to investors was the release of higher-than-expected data on durable goods orders. The commerce department reported a 1.4 per cent increase in orders, while economists had generally expected an increase closer to 0.3 per cent. Early morning reaction to the figures was tempered, however, by the fact that most of the rise was due to a large rise in the volatile defence component of the data. Excluding defence, orders fell hy 0.8 per cent.

One indication that the market was worried about an economic slowdown was the fact that consumer products shares gained yesterday morning while cyclical shares were generally weaker. The Morgan Stanley index of cyclical shares fell 0.4 per cent, while the index of consumer shares rose by 0.2 per cent.

Dr Pepper/Seven-Up gained $2⅝ at $32¼ after Cadbury Schweppes offered to buy the US soft drinks company for $33 a share. At noon, Dr Pepper was among the most actively traded shares on the NYSE.

Dun & Bradstreet fell $4 at $49⅞, shedding more than 7 per cent of its value, after the business information group warned late on Wednesday that new investments would suppress earnings growth this year. At the same time, the company reported a near 12 per cent increase in 1994 earnings.

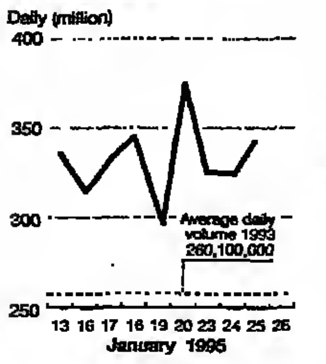
Results were mixed for the three major airlines which reported earnings results yesterday: Delta shares were off $1⅛ at $52⅝ after reporting a loss greater than many analysts had expected.

Southwest Airlines rose in the morning after surpassing analysts' expectations and reporting fourth quarter earnings of 14 cents per share. The carrier, however, proved unable to buck the downward trend of transportation issues. By early afternoon the shares were down $⅛ at $18¼.

The more widely traded class B shares of Continental Airlines increased $¼ at $8¾, although the company reported a loss for the fourth quarter of 1994. Last month Southwest and Continental issned warnings that results would be worse than had been expected.

Gillette gained $⅞ at $73⅞ after the pen and shaving products group reported an 18 per cent increase in earnings for the fourth quarter of last year and for the year as a whole.

NYSE volume



Canada

Toronto was lower at midday, in line with Wall Street, with the TSE-300 Composite index losing 23.40 at at 4,083.01 in moderate volume of 24.1m shares.

Some of the sharpest declines were seen in the industrial products sector, which fell 1.1 per cent while the metals and minerals sector was off 0.8 per cent.

Among actively traded issues, Canfor overcame early weakness to trade C$⅛ higher at C$17⅛ after it failed to win the takeover battle for Slocan Forest Products and extended its offer to February 6.

Mexico

Equities were slightly weaker as the market awaited an announcement from the government on its talks with the IMF regarding a standby loan.

The IPC index was down 21.92 or 1 per cent at 2,034.67 by midsession.

● SAO PAULO, by contrast, was firmer on positive sentiment over talks between the government and political parties on President Fernando Henrique Cardoso's charter reform proposals.

The Bovespa index was up 648 at 39,051 in turnover of R$154.4m ($182.9m).

Weakness in South Africa

Equities remained very weak, with many investors failing to take positions. The price of gold hullion also remained a worry, as it tested $380 an ounce, and fears surfaced that it might break below that support level.

Traders said that the market had been under pressure all year, with the overall index rising only three times so far in 1995, while the gold shares index had fallen to its lowest level since October 1993.

The overall index shed 98.7 to 5,163.2, the industrial index was off 116 at 6,312 and the golds index dropped 81 or 4.8 per cent to 1,597.9.

Among the main movers, Anglos fell R4 to R195, De Beers was 50 cents down at R88 and JCI shed R3 to R87.

SAB declined R1 to R90, Barlows 75 cents to R30.25 and Engen R1.50 to R33.50. Kloof slipped R2.50 to R44.

EUROPE

Big gains for Elf, LVMH enliven Paris bourse

Good German economic data which pushed back prospects of a rise in the country's interest rates gave European bonds a lift. Equities responded, *writes Our Markets Staff.*

Oil shares continued to do well although, with general sentiment still tentative, analysts seemed to be more cautious than the traders.

PARIS continued to show strength, witb the CAC 40 index up 23.82 at 1,826.28, in turnover of some FFr4bn.

However, brokers believed that the market was showing technical rather than real strength. Mr Stuart Glenister of Société Générale commented that there remained a risk that this was a temporary breach above 1,800 and that tbe CAC-40 could go below that level again in the short term.

There was a generally warm reaction to preliminary 1994 results from Elf Aquitaine, even tbough the oil group announced that it was taking provisions and exceptional charges of FFr8.7bn, leaving it with a loss on the year of more tban FFr5bn. The sbares advanced FFr17.90 or 5 per cent to FFr378.10, with US buying in evidence.

The rationale was that the provisions were exceptional and had been taken so as to hring the group into line with US accounting procedures.

But Mr Jim Joseph, oil analyst at James Capel in London, was more cautious about the group's prospects, noting that the provisions were almost entirely for write-offs of overstated assets, rather than for restructuring. He feared that altbough cost cutting appeared to be going smoothly, it was moving a hit too slowly and cautiously. "The company is doing what it can, but the restructuring does not look to he going deep enough," he commented.

Total was pulled higher in Elf's wake, up FFr9.90 at FFr300.90.

LVMH, the luxury goods group, made FFr31 to FFr829 following its forecast after hours on Wednesday that it expected a 20 per cent rise in 1994 profits, and a "significant increase" this year. Dior moved ahead FFr24.10 or 6.3 per cent to FFr406.50.

FRANKFURT took its time in responding to favourahle economic data, but it found stronger US treasuries, and the lowest rate of German consumer price inflation since June 1990, impossihle to resist in the afternoon. The Dax index moved from a mere 3.85 rise to 2,030.69 on the session to an Ibis-indicated Dax close 13.82 higher at 2,040.79.

Late in the day, March bund futures were trading more than 60 basis points higher at aronnd 90.20. Financials responded, but the only consistently strong feature was Deutscbe Bank which, said analysts, was expected to declare a bonus payment of DM1 to DM1.50 a share on top of a stable DM16.50 1994 dividend to mark its 125th anniversary.

Veba fell DM3.20 to DM516 after it announced a telecommunications link-up with the UK based Cable and Wireless. There was a temptation to think that yet another telecoms deal might be edging the market towards boredom; yet Mannesmann, which has its own connections in this area via the D2 cellular network, rose DM6.60 to DM417.10.

Turnover fell from DM7.5bn to DM5.9bn. Siemens improved further after its quarterly figures, climhing DM6.40 to DM655.50, and cbemicals reflected the upcoming dividend season with Bayer, DM5.50 better at DM356.30.

AMSTERDAM also reflected an interest in the oil sector, with Royal Dutch rising Fl 1.20 to Fl 191.40 following a strong set of fourth-quarter figures from Shell Oil in the US.

The AEX index rose 3.64 to 410.73. KNP BT, the paper and packaging group, was lifted by good results from Crown van Gelder on Wednesday, with the shares rising Fl 1.30 to Fl 52.80.

ING, the insurance group, put on Fl 1.00 at Fl 79.50; there were rumours that it might make a bid for the UK merchant bank Kleinwort Benson.

MADRID, following tbe peseta, bonds and other European bourses, took the general index up another 2.65 to 282.10 in turnover of Pta26.3bn.

A handful of blue chip outperformers included Repsol, the oil company, which rose Pta65 to Pta3,740. Telefónica pnt on Pta35 at Pta1,620 as its parent company figures for 1994 came in better than expected. Mr Jose Luis de Mora at Kleinwort Benson said Spain's telepbone market was mucb more matnre than its South American counterparts, and that while the parent had posted an 8 per cent net profit rise, the hope for the group was nearer 15 per cent.

MILAN paused to reflect on the prospects for the new government of Mr Lamberto Dini, and the BCI index slipped 0.19 to 664.56.

Banks remained active, with Credito Italiano L51 up to L2,020 in heavy volume of 34.5m shares: foreigners were said to be buying on expectations that it would win the battle for Credito Romagnolo. Rolo recouped L540 of its recent sharp losses at L16,625 as the board met to discuss the bids from Italiano and Cariplo.

A L73 rise in BCI to L4,096 was attributed to overseas demand.

Olivetti remained under pressure, losing L27 at L2,057 on concerns over investment needs in its mobile telephone business. Snia, the Fiat group chemicals and textiles company, gained L81 or 4 per cent at L2,103 amid speculation about a change of shareholders or an asset sale; Caffaro, controlled by Snia, was up L98 or 4.9 per cent at L2,138.

ZURICH gained ground, with the firmer dollar and lower money market rates belping the SMI index up 29.2 or 1.2 per cent to 2,554.7. Nestlé rose SFr16 to SFr1,178, retracing ground lost on Wednesdoy after its weaker than expected 1994 sales growth.

Cyclicals were mixed. Sulzer registered added to Tuesday's 4.7 per cent fall with a decline of SFr29 to SFr802 in continued reaction to tbe company's lower than expected 1994 new orders, and downgradings by UBS and Credit Suisse.

Brown Boveri added SFr10 at SFr1,136, benefiting from continued switching out of Sulzer.

WARSAW fell perilously close to last November's 1994/95 low of 6,716.2, the Wig index losing 192.0 or 2.8 per cent at 6,757.4. Turnover fell 29 per cent to 26.8m zlotys.

Written and edited by William Cochrane, John Pitt and Michael Morgan

FT-SE Actuaries Share Indices

Jan 26 — THE EUROPEAN SERIES

Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1303.50	1304.00	1305.13	1305.95	1306.05	1307.23	1306.76	1308.10
FT-SE Eurotrack 200	1363.08	1363.20	1363.29	1364.72	1364.72	1365.67	1365.38	1365.94

	Jan 25	Jan 24	Jan 23	Jan 20	Jan 19
FT-SE Eurotrack 100	1294.31	1299.33	1291.62	1313.82	1323.84
FT-SE Eurotrack 200	1355.17	1353.78	1346.48	1362.18	1379.91

Base 1000 (26/10/90) High/day: 100 - 1308.31; 200 - 1367.56 Low/day: 100 - 1303.34; 200 - 1362.43 F Partial

EUROPEAN EQUITIES TURNOVER
Monthly total in local currencies (bn)

Bourse	Sept 1994	Oct 1994	Nov 1994	Dec 1994	US $bn
Belgium	62.29	69.68	60.31	64.30	2.02
France	169.87	154.46	171.19	174.08	32.62
Germany	134.81	132.26	108.54	99.98	64.51
Italy	52,060	47,972	41,848	44,176	27.22
Netherlands	19.50	25.80	26.20	19.50	11.23
Spain	1,011.44	978.61	1,022.72	1,172.56	8.91
Switzerland	19.60	23.50	25.40	18.99	14.52
UK	48.98	43.91	48.08	41.67	65.26

Volumes represent purchases and sales. Italian data adjusted to include off-market trading. Some figures may be revised. Source: NatWest Securities

If turnover were the only measure, Latin bourses seemed to come out of December with their tails up, Spain, Italy and France producing gains over November of 14.7 per cent, 8.6 per cent and 1.7 per cent respectively. However, notes Mr James Cornish of NatWest Securities, which produces the figures, the gains in Spain and France were accompanied by falls in share prices: the Madrid index lost 5.5 per cent over the month as the political future of Mr Felipe González, the Socialist prime minister, was again brought into doubt; and Paris shed 4.5 per cent as Mr Jacques Delors dropped out of the presidential election race, increasing currency uncertainty. Turnover declines in the Netherlands (25.6 per cent), Switzerland (25.2 per cent) and Germany (7.9 per cent) were accompanied by rises in share price indices for all three. Perhaps there was a trailing effect: Mr Cornish says that activity in all three seems to be improving this month.

ASIA PACIFIC

Nikkei dips despite further construction sector buying

Tokyo

Profit-taking in electronic and banking stocks continued, and the Nikkei index lost moderate ground in spite of further buying of the construction sector, *writes Emiko Terazono in Tokyo.*

The Nikkei 225 average closed 88.64 off at 18,070.84 after moving between 18,017.31 and 18,407.40. The market gained ground in the morning on buying of construction related stocks by individual investors . However, profit-taking and arbitrage unwinding and sales of high-technology and banking stocks eroded the gain.

Volume totalled 522m shares, against 592m. The Topix index of all first section stocks ended 10.42 lower at 1,415.61 and the Nikkei 300 slipped 2.25 to 258.73. Losers led gainers by 649 to 377, with 160 issues unchanged. In London the ISE/Nikkei 50 index eased 0.12 to 1,159.73.

While traders did not expect aggressive huying by institutional investors in the near term, some expected technical factors to support equity prices. "The market is looking a hit oversold, especially stocks like Hitachi," said Mr Alan Livsey at Kleinwort Benson.

Banks fell sharply on selling by overseas investors. Sumitomo Bank, with headquarters in Osaka, lost Y60 at Y1,630, while Industrial Bank of Japan declined Y70 to Y2,430 and Sakura Bank Y30 to Y1,190.

High-technology issues were also lower, with Hitachi down Y18 to Y884 and NEC retreating Y5 to Y947. Sony receded Y30 to Y4,890 and Pioneer Electronic Y40 to Y2,050.

Individual investors bought fishery stocks. Nippon Suisan appreciated Y13 to Y454 and Maruha moved up Y4 to Y354.

Construction shares were actively traded but closed mixed as some suffered profit-taking. Sumitomo Construction, the most active issue of tbe day, put on Y10 at Y655 but Toyo Construction dipped Y5 to Y625. Daisue Construction, an Osaka based contractor, jumped Y38 to Y674.

Material companies were also actively traded. Sumitomo Osaka Cement surrendered Y11 to Y544 but Nippon Steel gained Y12 at Y356.

Retailers lost ground on reports of declining consumption due to the earthquake. "The earthquake has hit consumer confidence, but the effects may be short term," said one analyst. Ito-Yokado fell Y120 to Y4,780 and Hankyu Department Stores relinquished Y20 to Y1,010.

In Osaka, the OSE average declined 159.64 to 20,219.90 in volume of 166.7m shares. Profit-taking took Rohm, a semiconductor manufacturer, down Y100 to Y3,700.

Roundup

Many of the region's markets began to wind down ahead of next week's New Year break. Bombay and Sydney were hoth closed for puhlic holidays.

SINGAPORE extended its own rebound with a 1.9 per cent advance, after the recoveries in regional stock markets and the slighty better performance overnight on Wall Street. Brokers warned, however, that the market was likely to remain volatile, with any further strength being used as an opportunity to take profits.

The Straits Times Industrial index rose 38.22 to close at the day's high of 2,000.90.

Sembawang moved ahead 70 cents to S$10.30 and Keppel gained 20 cents at S$10.70.

SEOUL saw a technical rally in relatively busy trading which took tbe composite index 11.00 higher to 927.85, with demand for blue chips boosted by the Hyundai Group's plan to streamline its affiliates.

Hyundai Engineering and Construction went the day's limit up, rising Won1,300 to Won36,600, and Hyundai Mipo rose by its daily upper limit of Won1,000 to Won26,400. Kepco was also limit up, climbing Won1,000 to Won24,500.

KUALA LUMPUR encountered widespread profit-taking ahead of the four-day Lunar New Year market holiday next week, although gains in some key blue chips helped to push the composite index ahead 6.61 to 877.36.

Telekom Malaysia jumped 60 cents to M$16.90, while Malayan Banking rose 30 cents to M$15.20 ahead of interim results.

HONG KONG finished modestly higher after volatile trading, the third straight day of gains since the sharp sell-off that began the week. The Hang Seng index firmed 69.81 or 1.0 per cent to 7,310.53 in turnover of HK$3bn, against Wednesday's HK$3.2bn.

TAIPEI improved in spite of profit-taking, and ahead of today's closure, the weighted index adding 8.23 at 6,307.85, off an intraday high of 6,348.07. Turnover was T$48bn. Papers were strong, with the second most active issue, Taiwan Pulp and Paper, climbing T$1.9 or 4.5 per cent to T$44.2.

MANILA failed to build on early rises after the composite index hit a resistance level of 2,470 by midsession. The index ended 15.20 up at 2,440.31. All sectors posted gains, with mining leading the way.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	WEDNESDAY JANUARY 25 1995 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	TUESDAY JANUARY 24 1995 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	165.15	-1.1	153.96	104.07	130.36	143.34	-0.6	4.02	167.04	155.13	105.25	131.37	144.14	188.15	181.21	177.04
Austria (16)	173.95	-0.1	162.18	109.62	137.31	136.89	0.2	1.19	174.05	181.64	109.66	136.86	136.59	198.89	167.46	187.97
Belgium (35)	167.29	-0.5	155.85	105.42	132.05	128.92	-0.3	4.29	168.07	156.08	105.89	132.17	129.27	177.04	161.53	168.63
Brazil (28)	143.45	0.1	133.73	90.40	113.23	224.71	0.0	1.00	143.28	133.07	90.28	112.66	224.71	-	-	-
Canada (103)	125.46	0.8	112.95	79.05	99.02	128.56	0.7	2.69	124.42	115.54	78.39	97.84	127.73	143.28	120.54	140.86
Denmark (33)	248.51	0.9	231.67	156.60	196.16	202.44	1.4	1.47	248.19	228.63	156.11	193.61	199.69	275.79	236.61	264.43
Finland (24)	186.42	-0.9	173.79	117.47	147.15	185.18	0.0	0.75	188.10	174.69	118.51	147.83	185.25	201.41	133.88	147.63
France (102)	159.23	0.8	148.44	100.34	125.68	131.23	1.1	3.27	158.04	146.77	99.58	124.29	129.81	185.37	157.79	177.71
Germany (58)	140.07	-0.1	130.59	88.27	110.57	110.57	0.3	1.88	140.17	130.17	88.31	110.23	110.23	150.40	128.37	131.40
Hong Kong (56)	287.63	3.1	268.05	181.19	226.96	285.44	3.1	4.38	278.77	258.90	175.65	219.24	278.78	493.01	277.40	471.19
Ireland (16)	208.14	0.3	194.04	131.16	164.30	186.58	0.8	3.42	207.51	192.72	130.75	163.20	185.20	216.60	177.58	203.70
Italy (59)	79.83	-2.7	74.49	50.31	63.02	85.30	-1.9	1.63	82.02	76.16	51.68	64.51	97.13	97.78	67.25	69.60
Japan (464)	142.84	1.0	133.16	90.01	112.75	90.01	1.0	0.84	141.44	131.36	89.12	111.24	89.12	170.10	137.34	137.34
Malaysia (97)	414.39	4.1	386.32	261.13	327.11	408.78	4.1	2.06	398.16	369.77	250.67	313.14	392.83	594.76	398.19	452.65
Mexico (18)	1083.27	-1.5	1009.88	682.63	856.07	6804.34	-1.8	1.50	1099.46	1021.05	692.72	864.65	6930.05	2647.08	1028.59	2481.52
Netherland (19)	217.98	-0.6	203.22	137.38	172.07	169.27	-0.3	3.41	219.21	203.58	138.12	172.40	169.73	223.30	191.28	201.96
New Zealand (14)	71.22	-1.1	66.40	44.88	56.22	58.65	-1.0	4.99	72.05	66.91	45.40	56.67	59.23	77.59	62.05	70.94
Norway (23)	207.15	-0.4	193.11	130.53	163.51	188.86	0.0	1.85	207.98	193.14	131.04	163.56	186.78	214.65	177.53	194.67
Singapore (44)	322.59	2.8	300.74	203.28	254.64	216.12	2.9	1.98	313.94	291.55	197.80	246.90	209.95	401.38	294.55	332.56
South Africa (59)	293.75	-1.0	273.85	185.11	231.87	266.17	-1.1	2.51	296.72	275.58	186.95	233.35	268.17	342.00	205.55	252.34
Spain (38)	128.23	0.4	118.54	80.80	101.22	128.44	0.6	4.51	127.69	118.58	80.45	100.42	127.66	155.79	124.67	147.24
Sweden (48)	234.43	-1.3	218.55	147.73	185.05	280.39	-0.5	1.50	237.42	220.49	149.59	186.72	261.57	242.81	196.70	218.18
Switzerland (47)	162.35	-0.9	151.35	102.31	128.16	128.55	-0.5	1.89	163.62	152.23	103.28	128.91	129.19	178.56	148.91	168.37
Thailand (46)	135.18	2.8	126.02	85.18	106.70	131.56	2.6	3.01	131.71	122.32	82.99	103.59	128.21	-	-	-
United Kingdom (205)	192.62	0.0	179.57	121.38	152.05	179.57	0.4	4.30	192.64	178.90	121.38	151.50	178.90	214.96	181.11	210.83
USA (513)	191.37	0.4	178.41	120.59	151.06	191.37	0.4	2.91	190.65	177.05	120.12	149.93	190.65	196.04	178.95	191.39
Americas (662)	176.21	0.4	164.27	111.04	139.09	147.85	0.4	2.87	175.56	163.04	110.61	138.06	147.32	-	-	-
Europe (723)	167.29	-0.2	155.96	105.42	132.05	146.79	0.2	3.18	167.71	155.75	105.67	131.89	146.55	178.58	166.59	172.72
Nordic (128)	225.61	-0.7	210.23	142.10	178.00	211.67	0.0	1.40	227.12	210.93	143.10	178.62	211.67	233.91	197.70	209.37
Pacific Basin (809)	149.36	1.1	139.24	94.12	117.90	98.08	1.1	1.24	147.73	137.20	93.08	118.19	96.96	176.86	145.93	150.15
Euro-Pacific (1532)	156.74	0.6	146.12	98.77	123.72	116.97	0.7	2.10	155.97	144.84	98.27	122.66	116.15	175.14	154.73	159.39
North America (616)	187.29	0.4	174.60	118.02	147.83	187.08	0.4	2.90	186.55	173.24	117.53	146.71	186.35	192.73	175.67	188.25
Europe Ex. UK (518)	149.99	-0.4	139.83	94.52	118.39	127.25	0.0	2.63	150.58	139.84	94.97	118.42	127.19	158.12	144.12	149.25
Pacific Ex. Japan (325)	215.10	1.7	200.53	135.55	169.79	188.83	1.9	3.64	211.43	196.36	133.22	166.26	185.24	291.75	211.19	272.51
World Ex. US (1740)	157.36	0.5	146.70	99.16	124.21	120.23	0.8	2.11	156.65	145.47	98.70	123.19	119.47	176.65	155.42	161.51
World Ex. UK (2048)	166.07	0.5	153.66	104.02	130.29	137.76	0.6	2.20	164.28	152.57	103.51	129.20	136.99	178.59	163.46	166.52
World Ex. Japan (1789)	182.27	0.2	169.82	114.86	143.87	172.72	0.4	3.02	181.89	168.92	114.80	143.04	172.09	195.20	176.34	189.51
The World Index (2253)	167.48	0.4	156.14	105.54	132.20	141.53	0.6	2.40	166.77	154.88	105.07	131.15	140.76	180.80	165.92	170.46

Latest prices were unavailable for this edition.